

Europe's Business Newspaper FRIDAY OCTOBER 7 1994

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It also emerged that Kidder has held talks about selling its retail brokerage business in the U.S. and Canada, which is widely regarded as the company's "crown jewel."

These moves represent the first steps taken by the new management team put into Kidder in June to sort out the firm's tangled affairs, says a Wall Street.

Kidder was rocked in April by its claim that a trader had created fictitious profits of \$350m, and its trading businesses suffered losses with the downturn in bond markets during the spring.

The changes could also mark the first step in the sale of Kidder, GE has attempted to sell the investment bank, and the group

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# EU enlargement threat emerges

By David Gardner in Brussels

Plans to bring Austria, Sweden, Finland and Norway into the European Union in January could be dashed by a byzantine intra-EU struggle. The difficulty has emerged only days after the Union drew up a road map for the integration of six east and central European states. The root cause of the squabble is Italy, where Mr Silvio Berlusconi's government has refused to ratify the EU budget increase planned for next year until its partners retroactively condone Italy's cheating on EU milk quotas.

The enlargement is affected because Spain will not ratify the EU expansion from 12 to 16 members unless the deci-

sion to raise the Union's revenue ceiling, reached by the December 1992 Edinburgh summit, is legally secure.

The Edinburgh decision provides the extra money for EU structural aid and "cohesion" spending in poorer member states, a main beneficiary of which is Spain. Unless all 12 parliaments ratify the extra money, Spain's endorsement of enlargement to the Union's north is "out of the question", said a Spanish official. He said the decision had all but been taken by Madrid. "This is a real problem," said an EU official after foreign ministers again failed to resolve the Italian milk wrangle in Luxembourg this week. Finance ministers will make another attempt on Monday.

There are growing fears in Brussels that the squabble could exacerbate anti-EU sentiment in Finland, Sweden and Norway - due to hold referendums on entry to the Union on October 16, November 13, and November 28 respectively - as well as more general north-south antipathy within Europe.

Any delay in EU ratification of the new entrants, moreover, could unravel the financial and agriculture deals the Twelve struck with them, according to a leading EU negotiator in this spring's enlargement talks.

Italy has been fighting the milk issue since it threatened to block the landmark reform of the common agricultural policy in May 1992. It backed

down then but has brought the issue to successive EU summits.

Rome had agreed to cut its excess milk output in exchange for a quota increase amounting to a third of the illicit surplus. This spring, Brussels said Italy had not cut enough, but the incoming Berlusconi government then produced new figures claiming its output had been overestimated.

Germany, the UK, Netherlands and Denmark have resisted pressure to wipe out most of the fine on Italy's excess production. But these four states are also the greatest enthusiasts for enlargement. Spain's threat therefore increases the probability that a means will be found to buy Italy off.

# Austria's coalition under electoral siege

The socialist and conservative hold on power is beginning to weaken, writes Ian Rodger

A big upheaval is in the making in Austrian politics, as an increasingly fractious "grand coalition" of Social Democrats and conservatives begins to tear apart.

The rupture will probably not be set off immediately by this Sunday's national elections. The coalition that has ruled the country since 1985 will almost certainly carry on in the short term, if only to guide Austria smoothly into the European Union at the start of next year. But it could break up well before the next scheduled election in 1995, clearing the way for a political and economic overhaul.

The socialists and conservatives have managed, in a cozy partnership, virtually every aspect of economic and social life in Austria since the second world war. Together they set up carefully balanced power structures for employers, workers and farmers and staffed the nationalised industries and financial institutions with their supporters.

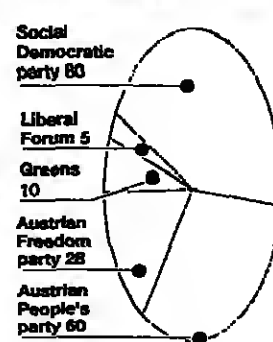
As long as the two parties had the support of most Austrians and as long as competence was not too important a factor in filling key positions, this so-called *Proporz* system could thrive. But as a privatisation programme gathers pace and the country opens itself to EU competition rules, it no longer works.

Early this week, for example, only 30 per cent of workers bothered to vote in elections to their *Arbeitskommission*, a counter lobby to the employers' Chamber of Commerce. Most workers know their chamber has less influence on their lives and careers than Brussels bureaucrats.

In Sunday's election the Social Democratic party (SPO) and the conservative Austrian People's party (ÖVP), which between them polled more than 80 per cent of the votes in 1986, will be lucky to collect two-thirds.

## Austria

Last parliament (total 183 seats)



The legitimacy of reserving government and government-controlled jobs for supporters would thus be brought increasingly into question.

This is the kind of environment in which new and fringe political movements grow, and Austria is no exception.

So far none constitutes a serious threat to the two old parties, but the Austrian Freedom party (FPÖ), under the leadership of Mr Jörg Haider, a charismatic right-winger, could change that on Sunday.

Mr Haider took control of the FPÖ, a flagging party with a mixed liberal and Nazi heritage, in 1986, purged its leaders and turned it into a rowdy protest movement against the self-serving socialist-conservative partnership. Now every time a party supporter gets a high-paying sinecure, Mr Haider brays about "rotten" patronage.

When the iron curtain fell in 1989 he began appealing to Austrians' fears of being overrun by asylum seekers and other immigrants. He maintains that foreigners are taking over Austrians' jobs and benefiting excessively from government welfare payments, while crime rates are soaring and the quality of education is declining.

With these themes and his opposition to European integration, Mr Haider has more

than doubled the FPÖ's support to 22 per cent, not far below the ÖVP's 28 per cent, according to opinion polls. Normally this would make the party an alternative coalition partner for one of the two main parties. But Mr Haider's rhetoric, which often appeals to xenophobic and racist sentiments, has made him a pariah. "Haider's FPÖ is no alternative for us - which I regret," Mr Erhard Busek, leader of the conservative ÖVP, said on Wednesday.

However, such is the frustration within the ÖVP with being the junior partner in the governing coalition that another of its leaders, foreign minister Alois Mock, said last week that the party should rethink its stance on Mr Haider. "It certainly would do democracy in this country no harm if the socialists went into opposition for a few years," Mr Mock said in a magazine interview.

The socialists have been more successful than the ÖVP in preventing erosion of their support, mainly because of the popularity of Mr Franz Vranitzky, their moderate and competent leader. But they too have struggled in the current campaign, hurt by losses to Mr Haider in a provincial election two weeks ago, revelations of huge salaries being paid to leaders of the Chamber of Labour and an insensitive remark from Mr Vranitzky's wife criticising mothers who left their children to work.

Meanwhile, on the left, the Greens have gone some way to transforming themselves and their leader, Ms Madeleine Petrovic, into a responsible force. Their standing in the polls has risen from 4.8 per cent in 1990 to 8 per cent.

And the Liberal Forum, formed last year by defectors from Mr Haider's party and led by Ms Heide Schmidt, is hoping to break through the 4 per cent barrier needed to win a share of the 183 parliamentary seats.

Move may signal purge of officers sympathetic to former nationalist policies

# Top Yugoslav military chiefs are dismissed

By James Whittington in Belgrade

Three senior officers in the Serb-controlled Yugoslav armed forces have been removed from their posts, in line with a general shift in Serbian policy towards a Bosnian peace settlement.

The head of the navy, Admiral Dojčić Isaković, and two commanders from the army, General Jevrem Cokić and General Bozidar Djokić, were officially retired, according to a military communique published in Belgrade yesterday. Observers said they believed the dismissals signalled the start of widespread changes aimed at removing officers most closely associated with Serbian President Slobodan Milosovic's former nationalist policies.

"Many officers in the army are unhappy with Milosovic's move against the Bosnian Serbs. We are now seeing him move against those who oppose the new policy and other nationalist figures who threaten to rock the boat," said one diplomat.

Last week the leader of the nationalist Serbian Radical

Bosnian Serb and Moslem troops completed an exchange of prisoners of war in Sarajevo yesterday after nearly a year of negotiations, writes James Whittington. The prisoner swap - involving 129 Serbs and 166 Moslems - took place at the Brotherhood Unit Bridge in the besieged capital early in the morning. Mr Yasushi Akashi, UN envoy, said he hoped the swap would help ease other problems between the warring sides. He also announced the reopening of Sarajevo airport following talks with the Bosnian Serb leadership on Wednesday. The airport was closed by Serbs on September 22.

party, Mr Vojislav Seselj, was arrested and jailed on charges of threatening members of the Yugoslav parliament. Mr Seselj, a leader of a Serbian paramilitary group, is believed to be one of those responsible for Serb atrocities in Bosnia and has openly criticised Mr Milosovic's break with the Bosnian Serbs.

The Serbian president cut links with his former protégés, the Bosnian Serbs, in early



A man released in a Bosnian prisoner-of-war swap yesterday is greeted by his brothers

August to try to force them into accepting a peace plan. The rejection of the plan by Mr Radovan Karadzic, the Bosnian Serb leader, was a blow to Mr Milosovic who is facing increasing economic problems in Serbia and Montenegro and needs a peace settlement.

Since the rebuff, coverage of the war in Bosnia has virtually disappeared from the government-controlled media. Officials who used to talk of stand-

ing firm alongside the Serbs in Bosnia and Croatia now promote their peace policy.

The dismissal of three generals comes against a backdrop of dissatisfaction in the armed forces over pay and conditions. Earlier this week there were reports that the Yugoslav army's chief of staff, Gen Momilo Perisic, had threatened to resign over a planned 30 per cent increase in army salaries. Wages and living standards for

the armed forces have dropped sharply since the break-up of Yugoslavia and morale is low.

There is also jealousy of the police force, whose power and prestige have been built up by Mr Milosovic since the war in Yugoslavia began in 1991. The number of police officers is estimated to have more than doubled to 110,000 - compared with about 125,000 personnel in the army - since Mr Milosovic came to power.

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## NEWS: INTERNATIONAL

## Turning point may be near in Korean N-talks

By Frances Williams in Geneva

The possibility that Mr Kim Jong-il, son of the late President Kim Il-sung, will be named North Korean president and head of the ruling party next week after the 100-day mourning for his father may remove uncertainty over the extent of the new leader's control in Pyongyang.

Statements by North Korean officials referring to Mr Kim as the "supreme leader" led diplomats to believe a turning point may soon be reached in nuclear talks between the US and North Korea, which resumed at high level in Geneva on Wednesday after a five-day break.

"With no one in confident overall command, it is most unlikely North Korean officials would take such responsibility for reaching agreement," said a Western diplomat. "To have a properly appointed leader must be a step forward."

Diplomats expressed caution over Mr Kim's influence on the talks, saying it was impossible to predict whether he would take the same hard line as his father or a more conciliatory one. Negotiations centre on an international aid package to switch North Korea's nuclear programme from graphite-moderated reactors to safer light-water versions.

In a preliminary accord reached on August 12, Pyongyang agreed to freeze its nuclear programme in return for light-water technology and diplomatic ties with Washington. But, in talks since then, North Korean officials have put up a series of new demands which Washington calls unacceptable.

The talks have been consistently described as "serious and businesslike" by both sides, but many observers fear North Korea is simply seeking to gain time to pursue its nuclear ambitions and stave off economic sanctions.

Reports from Washington say the Clinton administration has decided not to give ground to Pyongyang but to maintain its August offer and hope this will eventually be accepted. With American forces engaged in Haiti and mid-term elections next month, the US has no interest in precipitating a confrontation.

Although North Korea denies a nuclear weapons programme, it continues to refuse access to two suspected nuclear waste sites at the Yongbyon nuclear complex. The International Atomic Energy Agency believes inspection of these sites could provide clues to what has happened in plutonium missing from an experimental 5MW nuclear reactor.

In last week's Geneva talks Mr Kang Sok-jin, North Korea's first deputy foreign minister, apparently rejected even a rough timetable for such inspections which the US insists must be part of any final deal.

Other unresolved issues concern the roughly 8,000 spent reactor-fuel rods in a holding pond at Yongbyon which the US wants shipped out of the country, and North Korea's demands for cash compensation for ending its graphite-moderated reactor programme.

## India puts priority on power supply boost

Without it, ministers see their hopes of economic growth as doomed, Stefan Wagstyl reports

The electricity situation "is rather grim and the prospects are also rather grim," says Mr N K P Salve, India's power minister, talking about the country's power shortages. Right on cue, the lights and the air-conditioning in his ministry go off and do not come on again for the next half hour.

Mr Salve puts a brave face on his discomfort in the sweltering heat, saying: "If there is load-shedding it should be first in the ministry".

Better power management has so far this year spared Delhi the extended breakdowns it suffered in 1993 but sporadic cuts are just as frequent, even in the power minister's office.

The only remedy is a sustained expansion of generating and transmission capacity, combined with more efficient use of the existing network.

"We must carry on with the struggle not only to increase capacity but improve transmission and distribution," says Mr Salve, mopping the sweat from his brow.

From the outset, Mr P V Narasimha Rao's government has put a high priority on improving power supplies.

Ministers recognise that without electricity, hopes of promoting economic growth through liberalisation are doomed. Because of the squeeze on public spending, the government has welcomed private investment into the state-dominated industry.

However, since power plants take years to plan and build, privately-funded plants are unlikely to make a significant contribution until the next century.

Mr Salve says government plants in the early 1990s estimated that India would need to boost its generating capacity of 70,000MW by 48,000MW in 1992-97 to meet expected demand increases.

Because of financial constraints, the target for the five years was cut to 30,500MW. Mr Salve says the total increase will now be less than 20,000MW, including 3,000MW of privately-owned extra capacity.

Shortages in early 1997 will be about 14-15 per cent of normal requirements and 28-30 per cent of peak demand, about the

same level as today, says Mr Salve. "That's why I say the prospects are grim."

Mr Salve spends much of his time promoting private investment in the industry as the only way to secure the long-term future. His officials say binding contracts for the first four new private-sector schemes could be signed in the next few months.

Potential investors, including foreign investors, say this is optimistic, given the hurdles they face. Partly the problems are due to bureaucratic barriers and partly to the fact that private-sector power projects are new in the developing world, so there are few precedents.

Mr Salve says that despite liberalisation, investors still require 15-17 separate clearances. Also, responsibility for power is shared between Delhi and India's constituent states, some of which are slow to welcome private investors, he says.

But, pointing out that 75 schemes have attracted interest from private investors, including foreign groups, Mr Salve adds: "If companies are responding, it's because they find the Indian atmosphere congenial".

If increasing generating capacity is hard work, improving the efficiency of the transmission and distribution system is even more difficult, mainly because distribution is in the hands of the states.

Mr Salve says state politicians have forced state electricity boards to operate "imprudently", distributing free or low-cost power to farmers and other favoured consumers.

"This very pernicious system" has landed the electricity boards with mounting losses: Rs50bn (£1.03bn) in the year to March 1994, up from Rs34bn three years ago, he says. Economic reforms began.

But there is some progress. Late last year, state power ministers finally agreed to charge farmers a minimum of Rs0.50 a unit for electricity. This is still far below cost but establishes the principle that consumers pay, Mr Salve says. 17 of the 26 state electricity boards have introduced the new charge.

States which have yet to reform include Uttar Pradesh, the most populous, and Punjab, the largest agricultural producer.

The position is so poor that the World Bank, the highest foreign source of finance for India, has this year withheld \$750m (£500m) in planned loans because of the slowness in reforming electricity boards.

Another of Mr Salve's headaches is that state electricity boards buy much of their power from the centrally-run National Thermal Power Corporation but consistently fail to pay their dues.

The arrears, totalling Rs30bn, have become so alarming that Delhi took extreme action to recover some of the money - by taking it out of the grants paid by the government to state administrations.

It was the third time Delhi has had to pre-empt funds since 1991. Mr Salve says: "I hope it's the last time. We must accelerate the spread of economic reform into the states."

## FINANCIAL PERFORMANCE OF THE STATE ELECTRICITY BOARDS, 1991-95 (Rs bn)

	1991-92	1992-93	1993-94	1994-95
Gross Subsidy on Sales	74	92	107	126
to agriculture	59	74	83	96
to domestic consumers	15	16	21	27
Inter-state	2	2	2	3
Subventions received from state governments	20	19	21	21
Surplus generated by sales to other sectors	22	26	37	44
Uncovered subsidies	-	47	49	61

Notes: Subsidies are defined as the difference between tariffs that would enable the SEBs to cover their variable costs and tariffs actually charged. If there does not have to be a capital subsidy, values for 1994-95 are projected. Source: Ministry of Finance, Economic Survey, 1994-95.

## Rabbi accused of being anti-Arab mastermind

By a Correspondent in Jerusalem

A West Bank settler rabbi was yesterday accused of being the mastermind of an alleged violent anti-Arab underground movement based in the Hebron area, and charged with publishing racist material, conspiracy to purchase weapons, and other crimes.

Rabbi Ido Elia, who lives in Kiryat Arba, the Jewish settlement overlooking Hebron where Baruch Goldstein, perpetrator of February's Hebron mosque massacre, also was a resident, is the fourth member of the alleged underground to be charged. His lawyer, Mr Naftali Wurzhberger, said the rabbi made no secret of his

views on killing Arabs "if it spares your own people," but argued that merely to hold those views was no crime.

On Wednesday, two other Kiryat Arba residents, brothers Eltan and Yehoyada Kahalani, were charged with attempted murder.

More than a dozen people, most of them from Kiryat Arba, have been arrested in connection with the alleged underground movement over the past month. The members of the network may have been responsible for four murders of Arabs in the past year, and may have been planning an attack on the PLO's militant house headquarters in Jerusalem.

However, more than half of

those originally detained have been released. In addition, settler leaders have been charging that no extremist Jewish underground really exists. They claim the government has deliberately used agents of the Shin Bet security services to target right-wing settler groups which oppose its peace policies.

With the Cave of the Patriarchs, where Goldstein gunned down 29 Palestinians at prayer, scheduled to finally reopen later this month, the government is keen to minimise the threat from settler extremists.

Earlier this week, 18 settlers were issued with orders banning them from visiting the Hebron shrine.



Taiwan opposition deputies gag the deputy speaker (third right) in protest at the government's attempt to revise electoral laws

A new assertive approach to foreign relations is emerging

## Taipei puts its mouth where pleas and money used to be

At the opening ceremony of the Asian Games in Hiroshima this week, Taiwan got the biggest ovation from the crowd as its delegation walked into the arena.

It was a signal of a changing diplomatic game being played by the Taipei government.

Taiwan, which was once content to plead its case for greater international recognition merely through quiet lobbying, chequebook diplomacy and full-page advertisements in international publications, was reaping some of the first fruits of a quite different approach.

The humble, discreet, behind-the-scenes approach long used for fear of arousing the wrath of China and causing offence to other governments, appears now to be taking second place to a more assertive, even aggressive approach to foreign relations.

The island is fighting to emerge from the shadow of diplomatic isolation cast over it since 1971, when the United Nations switched recognition from Taipei to Beijing.

President Lee Teng-hui in 1993 announced a seemingly quixotic bid to return to the UN with the words "Hope is more important than reality, for without hope, how can one expect to achieve reality?"

China vehemently opposes Taiwanese membership, and as a permanent member of the UN's security council was able to block efforts last month and

in the autumn of 1993 by Taiwan's friends to have the matter brought before the UN general assembly.

China regards Taiwan as a renegade province, and forces governments to choose between Taipei and Beijing for their diplomatic relations.

Just 29 countries now recognise Taiwan, and it is debatable how long the biggest of

Taiwanese official should be allowed to attend the Asian Games to stir debate in Japan.

The incident worked to great effect as China co-operatively kicked up a fuss at every opportunity, real or imagined. Especially galling to Beijing was when Taiwan's deputy premier, Mr Hsu Li-teh, exchanged name-cards with

the stupider the Chinese look." Taiwan comes off looking reasonable, even gracious, in contrast.

Perhaps policy-makers decided that the old diplomatic methods were not achieving the desired result, so there was nothing to be lost by trying a new approach.

The new confrontational Taiwan has foreign governments bemused, but on guard, fearing they may be targeted next.

But hardliners in Taiwan warn that openly provoking Beijing could lead to a military attack. China has not ruled out using force to stop Taiwan from declaring independence.

Supporters of independence dismiss such warnings as scaremongering. They believe that China would not dare attack Taiwan, and if it did, the US would rush to Taiwan's defence despite the absence of such a treaty.

While it is evident that no government will risk forfeiting access to China's vast potential market to further Taiwan's diplomatic ambitions, it is equally evident that Taiwan's current status is not tenable indefinitely.

Sympathy for Taiwan is growing in the US Congress, the Japanese Diet (parliament) and in the legislatures of other western countries. Already lawmakers are pressing their governments to grant Taiwan better treatment.

## Taiwan is beginning to stand up for itself, writes Laura Tyson

those, South Africa, will hold out against Beijing's advances now that it is no longer the pariah state it was under apartheid.

Governments that do not have formal ties with Taiwan are attempting to gauge what sort of entity Taiwan will be a few years hence and how their policies should reflect expected changes.

The new (untested) policy first materialised in May, when the US government, under pressure from China, refused to allow Taiwan's president, Lee Teng-hui, stay overnight in Hawaii en route to central America. Taiwan gained a lot of sympathy and publicity in the US as it sought to portray Washington as Beijing's lapdog.

Then Taiwan used a dispute with Beijing over whether a

Japan's education minister.

Then there was that ovation at the opening ceremony.

On Monday Taiwan plans to wave its red national flag in front of the Chinese flag with a gala Taiwanese national day celebration in Hong Kong's cultural centre.

Observers are wondering what sort of international spectacle may emerge at the Asia Pacific Economic Co-operation forum to be held in Jakarta in November.

"This is part of Taiwan's two-pronged strategy," said a Taipei-based western observer. "First, the government is trying to stir up public sympathy in countries with strong legislative support for Taiwan."

Second, they've discovered that it is quite easy to provoke outrage from Beijing, and the more Beijing bullies Taiwan,

## Fresh setback for Indonesian press

By Manuella Saragosa in Jakarta

Attempts to invigorate Indonesia's battered media received another setback yesterday when the government threatened to ban a relaunched weekly tabloid, which had been forced to close in June.

The official state-backed journalists' association, the PWI, withdrew its support for

the editor of Simponi, a reorganised version of DeTik launched on Monday. Journalists say the association is acting on instructions from the ministry of information and the move "lays the ground for an eventual ban".

According to the many rules laid down by the ministry of information, a publication's editors and journalists must be endorsed by the PWI to obtain

a publishing licence. Critics say the ministry is simply looking for a technical excuse to close down Simponi, arguing that almost all publications in Indonesia hire employees not members of the journalists' association.

Mr Subrata, director-general of press and graphics at the department of information, was not available and other officials declined to comment.

Simponi went on sale on Tuesday with an initial print run of 150,000 copies, featuring a cover story on the role of former President Sukarno in the 1965 coup d'état. The tabloid's staff is made up of some 60 former DeTik journalists, banned in June with two other leading publications, Tempo and Editor, in what amounted to the most severe media crackdown in years.

The ink had barely dried on the Native Title act when problems started surfacing, writes Nikki Tait

## Aborigines turn to land fund for redress

Less than a year since Australia made a kind of peace with its indigenous population, the question of Aboriginal rights threatens to become politically contentious again.

In December last year, the federal parliament passed a law allowing Aborigines and Torres Strait Islanders to assert native title claims over the country's large land mass. If claims were valid and land had since been put to other uses, compensation would be paid. This was the first formal acknowledgment - other than a 1992 High Court ruling - that the country was inhabited before European settlement.

But, with the implementation of that package caught in a tussle between federal and state authorities, the focus is turning to a \$1.5bn (£700m) land fund, designed to help those indigenous people who have little chance of benefiting from the Native Title act itself.

In theory, the land fund is a good idea. The problem with last December's law was that it required an indigenous community to demonstrate a "close and continuing" association with the land it was claiming. Many Aborigines, however, have moved from their original homelands.

To some extent, this drift has been voluntary. But it has also been due in

part to the behaviour of white settlers. Aboriginal leaders estimate that no more than 10 per cent of their people have any chance of benefiting directly from the new law.

So, in the lengthy negotiations leading up to Native Title Act's passage, they wrung a promise from the government that a fund would be set up to acquire land on behalf of the remaining 90 per cent - a concession some saw as of more practical significance than the main legislation. The government published details earlier this year, and the necessary legislation is working its way through parliament in Canberra.

The problem is that interested parties on all sides have reservations about the scheme's design. Some Aboriginal representatives say the fund is too small to be viable, and that the administrative framework is offensively paternalistic.

Opposition politicians, by contrast, have argued the money could be better spent on Aboriginal health and housing. They have offered a raft of amendments, saying they will only support the legislation if these are accepted. It took the government only hours to reject this proposition.

But perhaps the most critical views, from a political standpoint, are those of the minor parties who hold the

balance of power in the senate, parliament's upper house, through which any legislation must pass. Already, the two Green party senators, who hail from Western Australia and hence have an important Aboriginal constituency, have expressed serious concerns about the fund's parameters.

"The question is whether this becomes yet another Native Title debate," said one official at the Aboriginal and Torres Strait Islanders Commission (ATSIC), which represents Aboriginal interests. He was referring to the mammoth parliamentary effort which was needed to ensure the original bill's passage.

"The Greens are playing the same role - trying to extract more [from the federal government]," he added.

The fund is less generous than it originally appeared. The \$1.5bn figure mentioned in the last budget is made up of a \$300m contribution from federal coffers in 1994/5, and \$121m a year for the next nine years.

The bulk of this money, moreover, will be invested to ensure the fund is self-sustaining after the first decade. Only \$45m out of each annual payment will go to acquire land, or to fund land management. Moreover, funds ATSIC already devotes to this purpose from its own budget - \$21m

a year - will be incorporated in the \$45m figure.

ATSIC has taken the view that any increase is better than none, and that, having done its best in negotiations, it will support the bill as it stands. But it is not overjoyed. As David Ross, ATSIC commissioner, has put it: "I think the fund is adequate... I am certainly not saying that it is over-generous."

Other Aboriginal representatives are more critical. Mr Aden Ridgeway, director of the New South Wales Aboriginal Land Council, who represents the interests of indigenous people in that state, has pointed out that the annual funding works out at \$5.5m per state or territory, and that this low level will force the land fund to spread its money around second-grade properties.

"You will not get really viable land when you do not have much money to spend," he warned. "You will end up with land in the low rainfall area which obviously will not be productive and viable."

Equally thorny are the questions of how land purchases will be organised and prioritised. The legislation is thin on operational details, but it does provide for the formation of a new body, the Indigenous Land Corporation, to handle purchases and management.

After some compromise, the ILCP's prospective board has been extended to seven, and the chairperson plus at least four other directors must be Aborigines or Torres Strait Islanders.

Even so, the fact that these appointments are to be made by a federal minister and that the federal finance minister has ultimate power over the land fund's investment touches a nerve. It smacks, in some eyes, of condescension, even racism.

Moreover, in the first three years, the \$45m will be divided between ATSIC and the ILCP, with the latter taking on full responsibility after this interim period. Sorting out how these bodies weigh up the mass of applications which will almost certainly be presented, and perform complementary investment roles, is no easy task. As one ATSIC administrator points out, it is not a question of maximising financial returns. Outback land of spiritual significance, for example, might have to be weighed against the desire of an urban group to build a local community centre.

There is a fair amount of goodwill surrounding the land fund discussions. There is also considerable reluctance to repeat the trauma of the main legislation. Nevertheless, as Australia found last year, the road to reconciliation is long and bumpy.



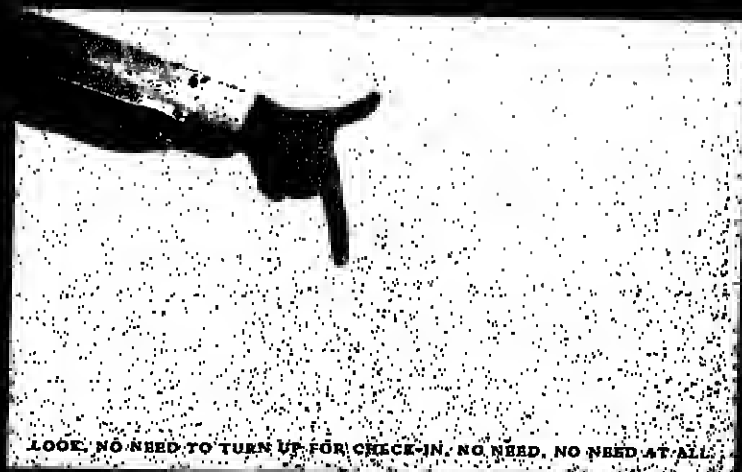
An Aborigine protests in Sydney over the Native Title act



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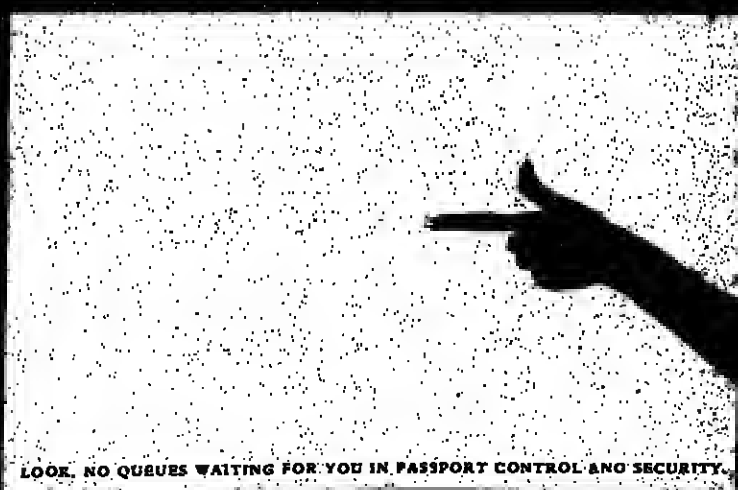
So what's missing at the check-in?



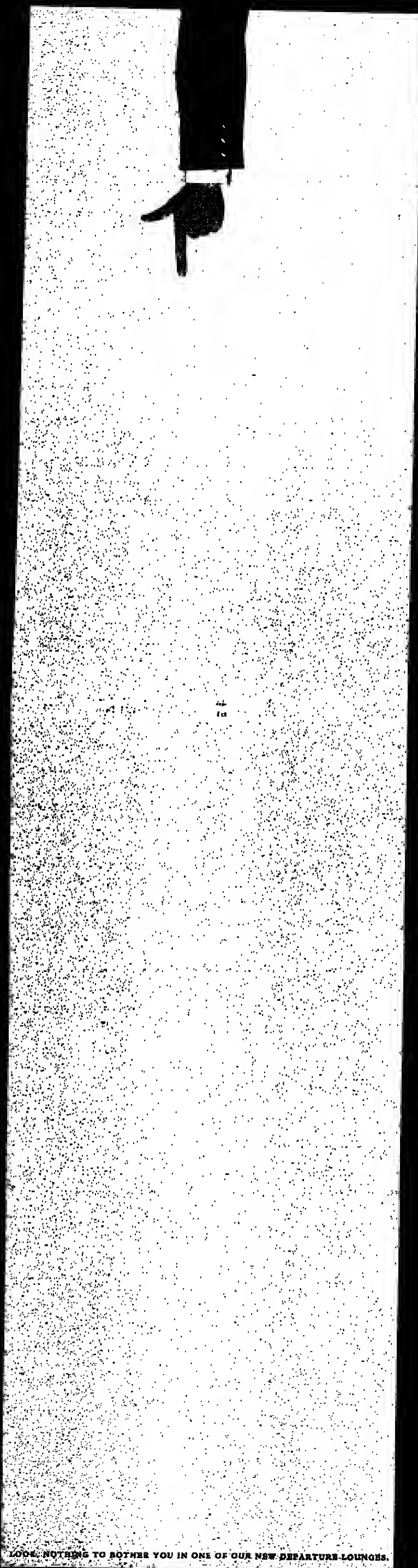
Well, you for a start. If you're packing only hand-luggage, you can now check-in by phone. And?

And nothing.

Instead of standing behind the day-trippers, the day-dreamers, the World Council of Ticket Losers, you're breezing through Fast Track: your own passport and security channel.



(To jump the queue here, you'd have to stand in front of yourself.)



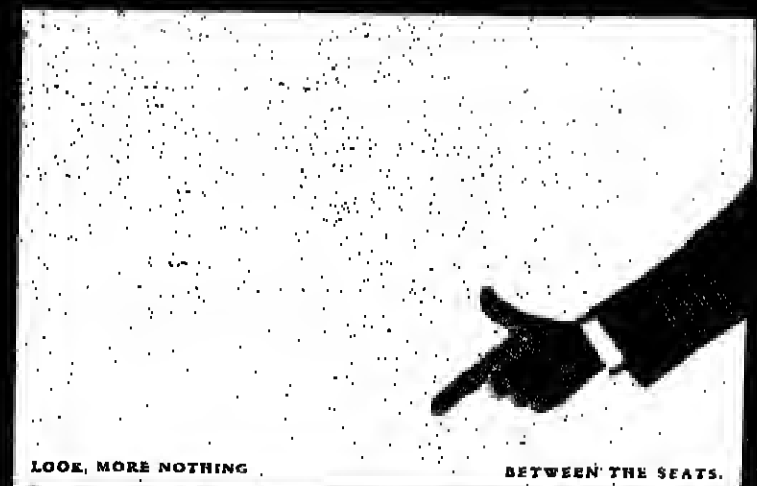
What else?

Nothing else, of course.

The confirmed arrival of our eight new departure lounges makes a total of fourteen around Europe.

Step into any one of them and your only distractions are the daily papers, the crunchy biscuits and a little more orange juice, sir?

Would you really expect anything less?



Frankly, yes.

OK. On the plane, you'll notice something about your seat: there's nothing about your seat.

Our new wider seats leave more space between you and

your neighbour. Or even more to the point, between you and your neighbour's elbow.

So the next time you step off the plane and say, 'Thank you very much,' expect the reply, 'Oh, it was nothing.'

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## NEWS: INTERNATIONAL

## Camdessus stands ground over SDR

Mr Michel Camdessus, managing director of the International Monetary Fund, yesterday expressed confidence that there would soon be agreement on the vexed issue of a distribution of special drawing rights - the Fund's reserve asset - to its members, writes Peter Norman, Economics Editor, in Madrid.

But at a press conference marking the end of this year's IMF and World Bank annual meetings, Mr Camdessus appeared to cast doubt on a resolution of the issue by making clear he was sticking by his own proposal for the issue of SDR36bn (£33.55bn).

This proposal, which was rejected by the Group of Seven leading industrial countries at a difficult meeting of the IMF's policy-making interim committee on Sunday, is at the higher end of suggestions for the allocation of the IMF's own reserve assets to boost world monetary reserves.

Yesterday's press conference was striking for the passion that the SDR issue generated in Mr Camdessus. He misheard

or misunderstood questions about the global economy and financial markets, giving answers that related to the SDR allocation instead.

The managing director's continued zeal for the SDR contrasted with the approach of many industrial country governments in recent days. Following the interim committee, they made a determined effort to ring-fence the stand-off over the SDR allocation, in an attempt to convey the message that the world economy is now in a better state than in many years and has a good chance of achieving sustained non-inflationary growth.

Mr Camdessus said there was "a reasonable hope and probably a little bit more than that" for early agreement on a package comprising an SDR allocation and a strengthening of the systemic transformation facility (STF) which the IMF uses to support former communist countries developing market-based economies.

"I am confident that in the coming weeks we will have an agreement on this package," he said.

He said work had been progressing "in the corridors" since Sunday's interim committee

failed to agree the SDR allocation and STF strengthening. He claimed the differences among the IMF members were "not that big".

According to Mr Camdessus, all governments recognised that:

■ There should be an SDR allocation.

■ The STF, which is due to expire at the end of 1994, should be extended beyond the end of this year.

■ A solution to the SDR problem must be found that conforms with the Fund's articles and that the SDR's role in the international monetary system must be preserved.

He admitted there were differences about the size and structure of the allocation. But he believed it was possible the IMF's 179 members could reach agreement on the issue inside the Fund's executive board and before the next interim committee meeting in April.

Mr Camdessus acknowledged that no one, including the IMF management, could be certain their proposals would be supported by all the membership. But he saw no reason to withdraw his own plan.

He showed no sign of moving towards other proposals for a



Michel Camdessus: determined not to change his mind *Tony Han*

smaller SDR allocation, such as the SDR18bn one-off special allocation backed by the Group of Seven leading industrial countries or suggestions from other countries for issues of SDR22bn and SDR30bn.

Indeed, Mr Camdessus

insisted his SDR36bn plan was essential to restore the place of the SDR in global reserves to the average of the past 20 years. He insisted his plan would have no inflationary consequences for the world economy.

## The west embraces Islamic banking

Roula Khalaf on a growing role for western banks in sector where interest is shunned

Islamic banks have been springing up all over the Middle East in the past decade, quietly collecting deposits from Moslems who like to consult the Koran before deciding where to put their money.

So why is the Gulf buzzing with talk of the imminent arrival of a new Islamic bank in Bahrain?

Because the bank is Citibank, which has confirmed plans to open the first full-fledged western Islamic bank next year and subscribe to the Koran's prohibition on dealing in interest.

Often dismissed by the west as a fad riding on the back of Islamic fundamentalism, Islamic banking was judged by western bankers as a phenomenon confined to Islamic regions. With Citibank now in the game, the estimated \$50bn industry may at last start to integrate with the world financial system.

Citibank is already an expert in Islamic finance. It is among the handful of western banks

that have been availing themselves of cheap Islamic deposits for more than a decade. When the banks were born in the early 1980s, depositors were happy to leave their mountains of savings in current accounts.

But the banks had to invest this liquidity in conservative and short-term instruments while at the same time circumventing interest. Lacking contacts and experience, Islamic bankers turned to western institutions such as Citibank to find homes for their money.

It went mostly into commodity trades and trade finance deals, where, in return for a fee, Citibank, for example, arranged for a trader to buy goods on Islamic banks' behalf and resell them at a mark-up. More and more western banks went hunting for Islamic money, and an estimated 10 per cent is now channelled through western banks, mainly Citibank, Kleinwort Benson, ANZ Grindlays and Goldman Sachs.

At the same time, spurred by the swelling of deposits at Islamic banks - Islamic funds of this kind, mostly spread through the Middle East and south-east Asia, are estimated to be growing by 10 to 15 per cent a year - commercial banks in the Gulf have opened their own "Islamic windows" to attract religious clients, widening depositors' choices.

Saudi Arabia, for example, has resisted granting licences to Islamic institutions lest this highlight the fact that the Kingdom's banks deal in interest. The only Islamic bank with a licence to operate is Al Rajhi Banking & Investment, which for years had a monopoly on Islamic money and now boasts \$5bn in deposits. But all other Saudi banks today offer clients Islamic products, such as commodity or trade finance funds.

Depositors have become more demanding. Instead of gladly leaving all their savings in current accounts, they have asked to share in the bank's profits. While interest is shunned in the Koran, profit is permitted. This has forced banks to enhance their yields, in turn squeezing the margins provided to western banks.

But Islamic banks have a problem: while they continue to have plenty of liquidity, they suffer from a dearth of lucrative products that can pass muster with their religious boards which clear every transaction. Thus they will continue to seek the product innovations western banks can offer.

"What we provide is access to markets and structuring capabilities," explains Mr Richard Duncan, director of Islamic finance at ANZ International Merchant Banking. "We bring our expertise in the Far East to our relationships in the Gulf."

With the help of banks such as the ANZ, Gulf Islamic banks have in the last two years managed to branch out of trade finance and into longer term and more profitable asset-based transactions. Leasing is at the top of acceptable Islamic products - Islamic banks can buy the equipment and sell it in instalments. Three years ago, a tiny 0.4 per cent of Al Rajhi's assets were invested over five years, compared with 10 per cent in 1993.

ANZ last year arranged for Al Rajhi to lend \$22m in bridge finance to Pakistan's \$1.9bn Hub Power project, one of the largest privately-owned power projects implemented on a build-own-operate basis in the

developing world. Al Rajhi bought equipment on Hub Power's behalf and resold it on a deferred payment basis.

ANZ also tapped Islamic money recently to arrange a \$300m three-year purchase of raw materials for a New Zealand company. Since 1988, ANZ has arranged for 10 deals each worth \$100m, says Mr Duncan.

Islamic institutions are slowly acquiring expertise of their own, by recruiting western trained professionals and offering them handsome pay packages. The most vibrant newcomers are Kuwait's The Islamic Merchant Bank set up in 1992 with Saudi and Kuwaiti institutional shareholdings.

TII, which has \$800m under management, will be looking to OECD-country banks to source deals in the west and the Far East but it can do without them in the Middle East. Last year, TII raised \$450m in Islamic money to finance leases for seven Kuwait Airways aircraft. The bank is now helping Merrill Lynch of the US raise \$50m to build a wind power generation plant in Egypt. It is also acting as adviser and lead banker for the US's Wing Group which, according to Mr Adnan Al Bahar, Chairman of TII, aims to raise \$1bn to build a power generation plant in Kuwait.

Faced with increased competition for Islamic money, but secure in the knowledge that there is plenty more to tap, Citibank, say Islamic bankers, is hoping to gain an edge by going directly to the depositors.

It is unlikely that small religious depositors will flock to the doors of a western bank, however Islamic it claims to be. Perhaps with this in mind, Citibank says it will target private individuals and institutions who want to follow the Koran's teachings but are, at the same time, interested in making some money.

Though returns offered by Islamic institutions have improved in recent years, they often remain below those offered by commercial counterparts. Kuwait Finance House, which claims a 15 per cent share of all deposits in Kuwait, has been paying a 5.6 per cent return this year on deposits of more than 30 days compared with commercial Kuwaiti banks' more attractive 7 per cent rate, according to Cyprus-based Capital Intelligence, a research group. (Though quoted as an interest rate, Kuwait Finance House's 5.6% rate is based on profit sharing).

The growth of Islamic finance, however, also requires the establishment of Islamic capital markets, where long-term assets on banks' books are turned into tradable securities and where money can find daily liquidity. Malaysia has made strides towards this goal. The government has promoted the establishment of Islamic banks alongside commercial ones and has set up an Islamic interbank market.

It is unlikely that a similar experiment will be undertaken in the Gulf, where banks are spread across borders and a product deemed Islamic by one bank is heresy for another. As one expert in Islamic banking put it, "The problem is that there is no standard interpretation of the sharia [Islamic law]. How can you have a market if not everybody agrees which products are Islamic?"

## Iraq monitoring starts in few days

By Mark Nicholson in Cairo

Monitoring systems and equipment for the long-term surveillance of Iraq's weapons industry are "provisionally operational" and the UN monitoring programme will begin in a few days, Mr Rolf Ekeus, UN special envoy, said in Baghdad yesterday.

Mr Ekeus' findings will be put formally to the UN Security Council on Monday. His report is likely to prompt debate and probable division among Security Council members over whether to give Iraq a definite timetable for a "probationary" test of the system, at the end of which the Council would consider easing the four-year-old oil embargo.

Iraqi officials warned after Mr Ekeus' departure that unless the Security Council meeting on October 10 directly led to an easing of sanctions, Baghdad would adopt a "new

attitude" towards the UN.

A spokesman for the Revolutionary Command Council, Iraq's top political body, said that despite Iraq's compliance with UN Gulf war ceasefire resolutions, "those of vicious purpose, among them the US, are bent on harming Iraq".

Adding that some UN countries wanted "to continue the sanctions as long as possible," he said: "We shall wait until the 10th of this month; after that every party will bear the consequences of its stand".

France, Russia, China and other members of the 15-strong Security Council favour giving Iraq a six-month trial period, arguing Iraq has made progress in meeting Gulf war ceasefire resolutions calling for control of its weapons industries. Britain and the US have said they would oppose just yet setting any criteria offering Iraq the prospect of lifting the oil sales ban.

# Raise your own interest rate.

The Economist



# Cardoso pledge on Brazil social problems

By Angus Foster in São Paulo

Mr Fernando Henrique Cardoso claimed victory in Brazil's presidential elections yesterday, promising to tackle the country's huge social problems and seek a higher profile in international affairs.

Mr Cardoso, a former academic turned social democrat politician, was speaking for the first time since Monday's poll, which, with more than half the votes counted, he appears to have won easily.

Sitting in front of an enormous Brazilian flag, Mr Cardoso said: "The biggest task is to overcome our social

injustice. We are no longer an undeveloped country, we are the 10th largest economy in the world, but we have huge social problems."

He promised especially to improve education, where Brazil lags behind many other developing nations, and basic health services.

Mr Cardoso said Brazil's new economic stability, brought by the Real currency which he helped launch this year as finance minister, gave the country the opportunity to be more involved in regional and international affairs. Brazil wants a permanent seat on the UN Security Council and Mr Cardoso said the country needed to

recognise that such claims demanded a "very active" role in the world.

Mr Cardoso said he was committed to private sector investment in areas of state monopoly and wanted to make private-sector joint ventures in oil and petroleum more flexible. However, state-owned Petrobras would not be privatised.

Private sector investment would also be allowed in areas such as telecommunications and energy generation. Mr Cardoso favoured privatising Companhia Vale do Rio Doce, the biggest state-controlled mining company.

Mr Cardoso made some tough comments on Brazil's state-owned banks,

many of which are in difficulty because of politically-inspired lending. Loss-making banks should be cleaned up rather than supported with government money. "If a bank is doing badly it needs to be turned round," he said, irrespective of whether the bank was controlled by a political ally or enemy. "Brazil cannot postpone this decision any longer."

Some reforms, in areas such as tax reform and wage legislation, were needed to guarantee the continued success of the Real. He said these matters would be discussed with Congress and doubted any significant changes would be made before he

becomes president on January 1.

Mr Cardoso said he expected his victory would lead to greater foreign investment in Brazil. Some foreigners had delayed investments in case he lost to his main opponent, the left-winger Mr Luiz Inácio Lula da Silva.

According to election authorities, with slightly over half the votes counted, Mr Cardoso leads Mr da Silva by 54 per cent to 25 per cent.

Mr Cardoso said no "radical measures" would be used to stop foreign investment flows if the Real continued to rise against the US dollar. Brazil holds back, Capital Markets page

# Psy Ops war waged in Haiti

In military jargon, Psy Ops stands for Psychological Operations, actions designed to mislead the enemy or influence the climate of opinion in conflict zones. While they might be the key to a particular mission, Psy Op agents usually work independently.

Yet as the US lays the ground for the imminent return to Haiti of exiled President Jean-Bertrand Aristide, its occupation of the country seems to be one big Psy Op. What it suggests is that the US believes getting Mr Aristide back in power is a question of changing minds more than changing conditions.

Every movement of US troops has a "target audience" in addition to a military target, says one Psy Op planner. When troops raided the headquarters of Fraph, the paramilitary organisation loyal to the coup leaders, soldiers led about 30 of those captured on a slow parade through central Port-au-Prince and let Aristide supporters tear up the office.

The idea, said the planner, was to demonstrate to Fraph and the American people that the US could take charge whenever it wanted and that it had the capital's vengeful mobs on its side.

President Bill Clinton is no longer chided for having 17,000 troops in Haiti doing nothing. And the lack of serious confrontation with Fraph, which still has an estimated 200,000 members with 30,000 weapons at large, leaves him less exposed to criticisms that the US is becoming bogged down in a Somalia-like mission.

Another big hit in Haiti, and on CNN, are searches of private homes where weapons are suspected of being stored by anti-Aristide forces. On one of these early-morning raids a contingent of 10 US soldiers found two pistols and three rifles in a storage shed, enough to arrest the man guarding the flimsy structure.

After they left, the shack was reduced to rubble by a jubilant crowd. Later in the day, the same US contingent returned to admire their handiwork and a Sergeant MacPhearson told the assembled crowd: "We promise to keep

Ted Bardacke on an operation meant to please Washington as well as the locals

ruining them if you promise to keep destroying them." Still, these raids have netted less than 300 weapons, and US military spokesman Colonel Barry Wiley admitted that faulty intelligence means "we don't know until we get there whether we've gone on a wild goose chase".

Military commanders also know that politicians in Washington can make or break this mission, so they have become a "target" as well. When senators came down on a whirlwind fact-finding tour, Bradley armoured cars uncharacteristically left the US base, some with orders to roll by just as the visitors were to begin their press conference, to give the impression of the US being firmly in charge.

Also meant for consumption in Washington, according to a Special Forces media liaison officer, are the television shots of Haitians cheering the US forces. Television crews are given priority with military units that are likely to encounter positive crowds, thus giving Mr Clinton some "breathing room" as Congress debates whether to impose a date for troop withdrawal.

US actions, psychological or not, are certainly building momentum for the return of Mr Aristide. Fraph, the police and the army are lying low and Aristide supporters, feeling protected by the Americans, are growing more confident by the day. But whether these shows of force are creating the conditions for Mr Aristide to rule is another question.

Mr Roosevelt Potau, owner of a computer supply and repair shop, is eagerly awaiting the end of the economic embargo that Mr Aristide will bring with him, yet is wary that "US forces are leaving our president too much hard work for him to do by himself".

# Republicans kill bill on lobbying

Republican senators yesterday succeeded in killing a bill to limit the gifts they could receive from lobbyists, adding one more scalp to their collection of legislation blocked or defeated in the closing days of the congressional session. George Graham writes from Washington.

Democratic leaders failed to achieve the two-thirds majority they needed to break a Republican filibuster against the bill, which would have

stiffened the registration requirements for people who spend money or are paid to lobby Congress or the administration.

The bill, which passed the House last week, would have barred most gifts from lobbyists to members of Congress - except for campaign contributions - and would have

allowed members to accept meals only up to a value of \$30 (\$12.60).

The lobbying reform bill had provoked the anger of many members who felt it demeaned them by suggesting they could be bought so cheaply, and had particularly irritated golfers, because it would prevent them from accepting expense-paid

trips to the many charity golf tournaments mounted every year in choice resorts by businesses and trade associations.

But this is not the kind of argument that members are eager to make less than five weeks ahead of an election, and last-minute opposition to the bill in the House last week and then this week in the Sen-

ate has focused on claims that the measure would infringe the right of religious groups to lobby Congress.

Congressman Newt Gingrich, the Republican minority whip in the House and the leader of the campaign to kill the bill, called it "a gag rule on the grassroots".

Since the bill mostly exempts church groups from registering their communications with members as a lobbying activity, this explanation appears less credible than the Republicans' fierce determination to deny the Democrats' even the smallest legislative victory ahead of the November 8 mid-term election.

President Bill Clinton had said both lobbying and campaign finance reform were high priorities for him, but both have now been defeated.

# Is Caesar's aide's girlfriend behaving?

Jurek Martin wonders if Washington's pursuit of ethical standards has gone too far

The resignation of Mr Mike Espy as US agriculture secretary has set Washington and national tongues clucking again, in a number of unexpected ways.

Naturally, the fact that he was accused of taking favours from the agribusiness interests he was supposed to regulate has left the door open for those inclined to the high moral road.

Under the direction of Mr Howell Raines in the past two years, editorial comment in the notionally liberal New York Times have torn into the Clinton administration's ethical standards with a savagery that has often rendered conservative commentary superfluous.

It said Mr Espy's behaviour "gave, at the very least, the appearance of conflict of interest. It was also colossal stupidity." It also damned his department, which the newspaper's reporters had found guilty of excessive payments for dis-

semination relief, as "too close to food producers and farmers".

The Wall Street Journal's editorial column usually blames everything on President Bill Clinton. The Espy affair, it wrote, was consistent with "the larger story now of people in our politics who are unable to recognise any line between the realms of private and public life".

Much speculation turned, inevitably, on who would be next to go from the cabinet, with Mr Henry Cisneros, the housing secretary, top of most lists. He stands accused of not telling the FBI the full story about his financial arrangements with a former lover when it was conducting background checks before his appointment.

He was forced to say he would not resign, but that turned attention to support he was getting from the White House, which has a reputation for giving way under fire.

But if all this was easy to predict, others have begun to wonder if the manic pursuit of purity in Washington office-holders is not going too far.

A tart editorial in the Baltimore Sun found it hard to believe that a corporation, Tyson Foods of Arkansas, whose lawyer had helped Mrs Hillary Clinton earn \$100,000 (\$23,000) in commodities trading, would bother with a \$1,200 scholarship to Mr Espy's companion, which, indeed, seems to have been the straw that broke his back.

"But," it added derisively, "that's what it has come to in Washington. Caesar's assistant's girlfriend has to be above suspicion?"

Mr Peter Jennings, the ABC television anchorman, also had his reservations in a radio commentary. Nothing the agriculture secretary may have done would have been illegal while he was a congressman. Mr Jennings told the story of

another current cabinet member who, returning from a trip with his wife, took a government car from the airport - but sent his wife home by taxi so as not to infringe any ethical code. The head of the Government Services Agency's chief is the latest on the block for having allegedly transgressed the rules.

These standards, tightened by the Clinton administration, are indeed strict. For example, no journalist may buy a civil servant meals worth more than \$20 a session or \$50 a year, which does not buy much in Washington these days.

A Washington Post editorial, while concluding that Mr Espy was "right to resign", wondered at the hypocrisy of a Congress so wedded to special interests that it has killed campaign finance reform and may do the same to lobbying reform. "Perhaps the people

who kill this bill, if they manage to do that, will have the grace to step down too."

There was also something of a rallying to Mr Espy not merely from his fellow blacks but also from both sides of the farming fence, where he was seen as both knowledgeable about the industry and sensitive to consumer interests.

But performance on the job - or qualifications for it - matter much less these days. Men and women have been drummed out of town or not let into it for technical breaches of immigration and tax laws concerning domestic help mostly honoured only in the breach.

Or, as in the case of Mr Ricki Tigert, only this week confirmed to run the Federal Deposit Insurance Corporation after an eight-month delay, agencies have been left headless because of the heinous sin of a presumed friendship with the First Lady.



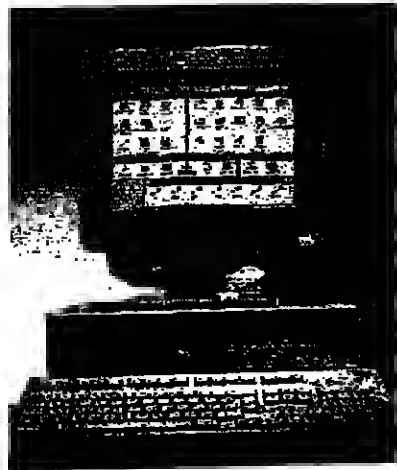
Mike Espy: accused

It may be true that the Clinton administration, by raising the ethical banner, left itself open to criticism when its members fell short. Republican exploitation of such shortcomings may also be just standard politics.

But when elected office can be bought merely by spending a lot of money, it can seem rough justice when the receipt of just a little means the end of a Washington career.

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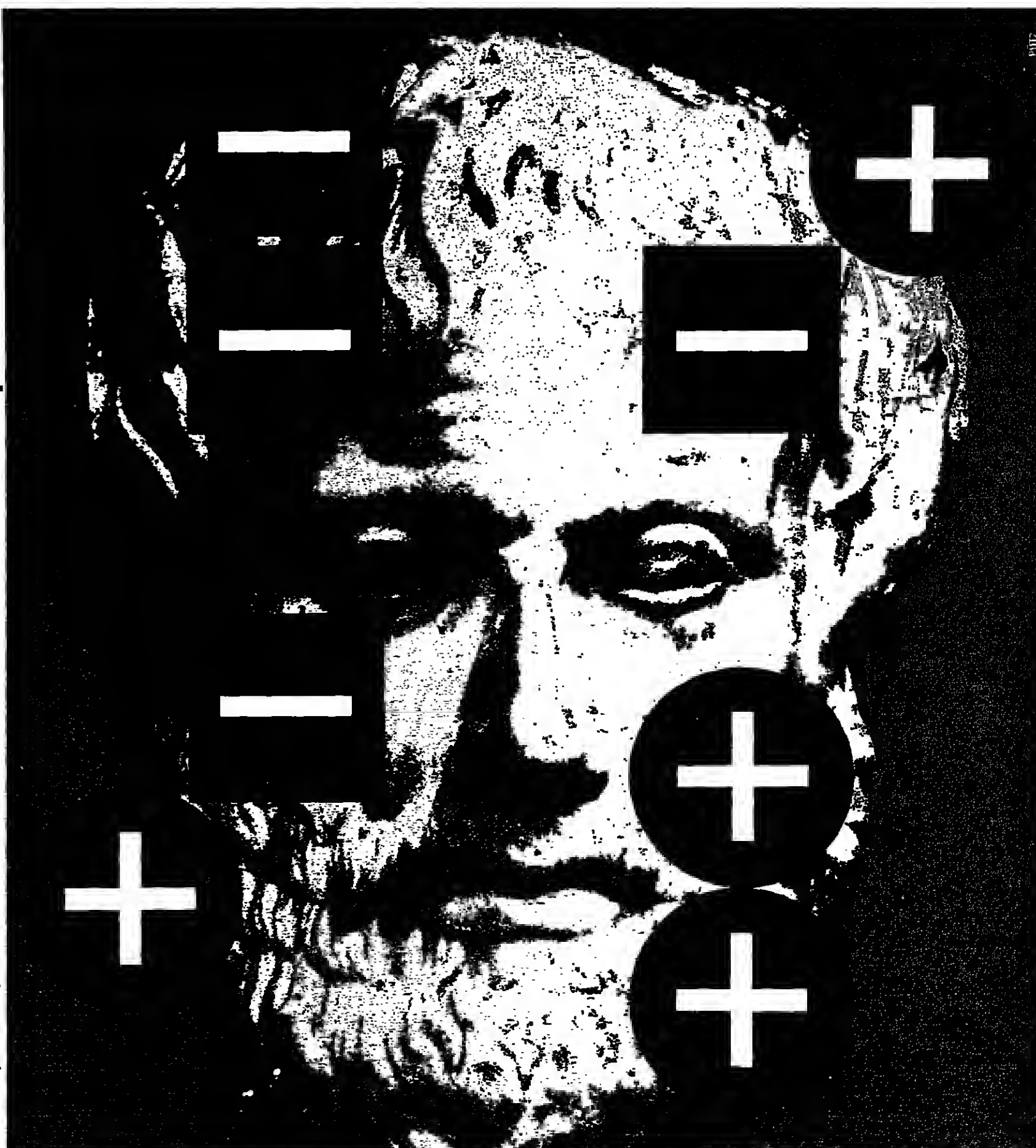
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NEWS: WORLD TRADE

# House delays votes on Gatt ratification

By Jurek Martin in Washington

The fate of Gatt in the US Congress is on hold for at least seven more weeks following the decision of the House to copy the Senate and come back into session at the end of next month for the crucial votes.

The House Democratic leadership was forced on Wednesday night to postpone the vote scheduled for yesterday after Republican objections to the rules under which the debate would be conducted. These stem from an opposition campaign against a telecommunications provision in the bill.

But in a letter sent to President Bill Clinton, leaders of both parties in the House diplomatically chose to blame their decision to call a lame duck session on November 29, after the November 8 mid-term elections, on the Senate delay of the Gatt vote until December 1.

"The Senate decision," the letter said, "has quite frankly undermined our ability to guarantee strong bipartisan support for this effort in the House at this time." But both the Speaker, Mr Tom Foley, and the Republican leader, Mr Bob Michel, predicted it would eventually pass.

Mr Mickey Kantor, the trade representative, who had spent much of Wednesday testifying to Congress for the Gatt bill, put the best face on what was nevertheless a setback for the administration. "There's no reason in the world to take any chances with the world's largest trade agreement," he said. Mr Clinton weighed in by

saying at a press conference that Gatt amounted to the "biggest world tax cut in history" and a "huge job gain" for the US.

The Senate delay was brought about last week by Senator Ernest Hollings, the South Carolina Democrat, who exercised his right as a committee chairman to force a 45-day interval before the climactic vote. The chamber will come back into session on November 30 with a vote scheduled for the following day.

The new Congress does not take office until next January so the lame duck sessions will feature the existing line-up. That still leans towards approval, as a procedural vote later on Wednesday night seemed to indicate: also more than 100 retiring senators and congressmen may feel free to vote their consciences without fear of retribution at the polls or from party whips.

Nevertheless the outcome of the November 8 mid-term elections may have a sizeable influence on the lame duck sessions. If conservative Republicans, increasingly associated with "America First" positions and complaining that Gatt imperils US sovereignty, make expected gains, opposition to the agreement may grow.

Congressman Michel, a long-time supporter of free trade who is retiring this year, conceded that he had been caught unawares by the anti-Gatt campaign waged over the last week by Congressman Newt Gingrich, his almost certain successor as Republican leader.

## Indonesia's Suharto emerges as a surprise advocate of liberalisation Support grows for free trade in Apec

By Victor Mallet in Jakarta

The leaders of Asia-Pacific nations, including President Bill Clinton, could make a public commitment to free trade in the region by the year 2020 or even 2010 when they attend a summit in Indonesia next month, according to officials of several governments supporting the idea.

The proposal for a bold statement of intent from the leaders of the 17-nation Asia Pacific Economic Co-operation forum (Apec), who meet next month in Bogor, near Jakarta, is broadly in line with the recommendations of an Apec "eminent persons group" (EPG).

Supporters of rapid liberalisation have found an unexpected ally in Indonesia's President Suharto, who has surprised other south-east Asian governments and some

of his own ministers by declaring his wholehearted support for free trade as the Apec summit approaches. Indonesia has lowered tariffs and reduced non-tariff barriers in recent years, but it still has one of the most protected economies in the region.

"We have high hopes that the forthcoming meeting in Bogor will produce fundamental agreements on the type of co-operation between Apec members and on the rate of trade and investment liberalisation among us," Mr Suharto said in a speech yesterday.

In a report in August the EPG urged Apec to complete trade liberalisation by 2020; it also said economically advanced Apec members should eliminate their trade barriers more quickly than developing or newly-industrialised nations.

Although they have reservations about the EPG report, the US and Australia are among the most prominent supporters of a target date for free trade. Malaysia, on the other hand, is opposed to the idea, arguing that Apec risks being dominated by the US and should remain an informal consultative organisation. Dr Mahathir Mohamad, Malaysian prime minister, refused to attend the first Apec summit in Seattle last year.

Apec - whose members yesterday reiterated their support for global trade liberalisation and the formation of the World Trade Organisation - comprises the US, Japan and China, as well as Thailand, the Philippines, Indonesia, Singapore, Brunei, Malaysia, South Korea, Hong Kong, Taiwan, Australia, New Zealand, Papua-New Guinea, Canada

and Mexico. Chile is due to join next month.

At an Apec ministers' meeting in Jakarta yesterday, Mr Bob McMullan, Australian trade minister, said that the EPG report was a matter for debate but that there was support for a declaration of principle on free trade by a specific date.

"It's more likely than not that there will be an agreement about a timetable for trade liberalisation at the Bogor meeting," he told reporters.

However, critics of Mr Suharto, who is 73, say he is more interested in hosting a memorable summit and leaving his mark on world affairs than in the reality of free trade. His new allies respond that they would rather applaud his change of heart than question the motives behind it.



Suharto: change of heart

## EU urged to shift focus to Asian markets

By Emma Tucker in Brussels

The European Union yesterday turned its attention eastwards, amid mounting criticism that Europe risks losing out on Asia's "economic miracle" by being too slow to develop political and economic ties.

At a conference in Brussels, Sir Leon Brittan, commissioner responsible for foreign affairs, warned the European Union needed to shift its focus rapidly towards greater trade with Asian markets.

"The task is now to make a reality of what we all accept as an objective - better economic ties between the EU and Asia," said Sir Leon.

But Mr Nicolas Maclean, the chairman for Asia of Unice, the European

employers' federation, said: "This forum is about 20 years overdue. For far too long, many EU companies have held Asian markets at arm's length and have now woken up to the fact that they are missing out."

Over the summer, the Commission published its first ever strategy document on Asia designed to launch a radical rethink of EU strategy. It warned that if European companies were unable to earn an adequate share of Asian growth over the next decade, their worldwide profits and competitiveness would be affected. This in turn could exacerbate calls for more protectionist policies from those in Europe who view Asia as a threat, rather than a lucrative opportunity.

Last month, foreign ministers from the EU and the six Asean countries agreed to intensify political and economic relations, as well as to reinforce

dialogue in such areas as security and the environment.

However, significant differences in view also emerged from the meeting, in particular Asian opposition to EU efforts to link trade to human rights and the conditions of workers.

At yesterday's conference of 150 business leaders, organised by the European Commission and the Financial Times, the opening speeches by Sir Leon and Mr Manuel Marín, commissioner responsible for co-operation and development with Asia, avoided such issues. Both speakers concentrated instead on Europe's enthusiasm to develop links.

Mr Marín said a positive message on Asia had to be communicated to Europe's citizens: "Increased demand in Asia for European products, services and expertise will obviously boost job growth and prospects in Europe."

However, he pointed out that collaboration with Asian companies did not appear to be a top priority with most European companies.

According to the Commission paper, a number of factors are at play. These include a lack of understanding of the Asian business environment and the lack of a clearly defined image of Europe in Asia.

Mr Maclean said three things had to happen if Europe was to be truly effective in trading with Asia. First, bureaucratic pressure had to be eased in Europe, to allow companies to be as competitive as possible. The member states also had to act in co-ordination, and make real attempts to understand the different Asian cultures.

"If we ignore this, then culture will remain the greatest non-tariff barrier to our chances of strengthening our economic presence in Asia," he said.

### World Trade Digest

## P&O to manage privatised terminal

P&O, the shipping and construction group, yesterday announced the acquisition of management control of a recently privatised terminal at Puerto Nuevo, which serves the Argentine capital, Buenos Aires.

This is P&O's first move into the management of container port facilities in Latin America, Lord Sterling, chairman, said. The group's Australian subsidiary has acquired a 40 per cent stake in the equity of the venture and it will supply the management of the terminal and provide support services.

The activities acquired by P&O account for 270,000 teu (20ft equivalent units) container movements a year out of the total handled by the port of about 500,000.

P&O is also looking to extend its container operations at Montevideo in Uruguay and in Brazil and Mexico. "This project will act as a springboard for further investment opportunities in the region," Lord Sterling said. P&O's local partner in the project, which is to be renamed Terminales Rio de la Plata, is Murchison Roman, Charles Batchelor, London.

## Japan imports more cars

Japan's sales of imported cars in calendar 1994 will break the previous record of 221,706 cars set in 1990, industry sources said yesterday. "Japanese sales of imported vehicles will reach 300,000 in 1994 including 280,000 cars," said Mr Seichiro Iwasawa, a senior analyst at Nomura Research Institute.

The Japan Automobile Importers Association said September sales of imported vehicles in Japan rose 3.3 per cent from a year earlier to 29,220. September marked the 11th straight month of rises, and a record high for that month, breaking the previous record of 19,640 in September 1993, JAAI said. *Reuters, Tokyo.*

■ Samsung Engineering, a subsidiary of South Korea's Samsung Group, said it had won a \$350m order from Thai Petrochemical Industrial to build an ethylene plant on a turnkey basis. Construction of the plant, capable of producing 300,000 tons of ethylene and 50,000 tons of butadiene a year, is due for completion by November, 1996. *Reuters, Seoul.*

■ AT&T said it and Japan's KDD Submarine Cable Systems have been awarded a \$323m contract to install part of an undersea multinational fibre-optic cable. The contract was awarded by an international consortium called Asia Pacific Cable Network (APCN). AT&T said the cable will link Japan, Korea, Taiwan, Hong Kong, the Philippines, Indonesia, Singapore and Thailand when completed in 1996. *Reuters, Singapore.*

■ Airbus Industrie, competing for a stake in the rapidly growing Chinese aviation sector, will invest \$25m to upgrade China's infrastructure, company officials said. The consortium will build an integrated support centre with two flight simulator bays, classrooms and other facilities. *Reuters, Beijing.*

## Tetra Pak loses appeal against fine

By Christopher Brown-Humes in Stockholm

Tetra Pak, the Swedish packaging group, yesterday lost an appeal against an Ecu5m (\$50m) fine levied by the European Commission, but said it was almost certain to contest the decision in the European Court.

The Commission imposed the fine in 1991, arguing the group had abused its dominant position between 1982 and 1986 by deliberately trying to stifle competition. The fine - the Commission's biggest against a single company - was equivalent to 2 per cent of the group's 1990 turnover.

The company's attempt to have the fine overturned by the European Court of First Instance has been rejected.

The wrangle centres on market definitions. Brussels argues the Swedish company's position in "aseptically filled carton packages" is too dominant. Tetra Pak does not deny this, but says the dominance - equal to as much as 80 per cent of the market - is not surprising because it invented the aseptically filled carton package concept.

But it argues that its share of the wider "liquid food" market is a more relevant yardstick. Here it only has a 15 per cent share because of competition from cans and plastic and glass bottles.

Mr Christer Hedelin, Tetra Pak International general counsel, said: "We are extremely disappointed that the court has chosen to remain with the old traditional way of looking at market forces." The company says it is "most likely" to appeal.

## Hong Kong shrugs off doubts

By Frances Williams in Geneva

Hong Kong has shrugged off earlier economic uncertainties surrounding the 1997 hand-over of the colony to Chinese rule and looks set for continued rapid growth sustained by a large booming economy on its doorstep, the General Agreement on Tariffs and Trade said yesterday.

The latest report by the Gatt secretariat on Hong Kong's trade policies and practices says trade patterns have changed markedly over the past few years. Exports of domestic goods stagnated between 1990 and 1993 but re-exports from China doubled and services exports increased by over 50 per cent.

At the same time, Hong Kong-based companies have poured investment into China, especially in the neighbouring Guangdong Province and the Special Economic Zones.

Hong Kong is the largest source of foreign direct investment in China and in 1993 accounted for 83 per cent of such investment in Guangdong province as businesses took advantage of lower costs to relocate basic manufacturing activities.

However, Gatt notes that a drop of two-fifths in Hong Kong's manufacturing workforce since the mid-1980s has been entirely offset by a rise in services employment, especially business services such as finance, marketing, design and logistics. Textiles and clothing still represent over one-third of manufacturing value-added, followed by electrical and electronic products with about one-quarter.

# THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

**The theme for the 1995 prize, worth not less than £3,000, is: DOES FREE TRADE THREATEN THE ENVIRONMENT?**

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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### OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for October 1994 to November 1994 (September 1993 - October 1994 in brackets).

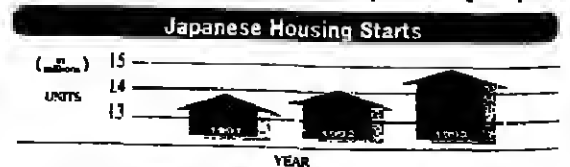
D-Mark	8.09 (7.77)
Ecua	8.73 (8.34)
French franc	8.70 (8.40)
Guider	
up to 5 years	8.10 (7.80)
5 to 8.5 years	8.40 (8.10)
more than 8.5 years	8.90 (8.55)
Italian lire	11.38 (11.11)
Yen	4.70 (4.70)
Peseta	11.97 (11.41)
Sterling	8.79 (8.53)
Swiss franc	6.81 (6.37)
US dollar for credits	
up to 5 years	7.89 (7.50)
5 to 8.5 years	8.08 (7.68)
more than 8.5 years	8.25 (8.08)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when (a) the interest rates may not be fixed for more than 120 days. 320-day rates of interest are the same for all currencies. For the period from July 15 to January 14 1995, the 320-day rate will be 7.50 per cent. It replaces the previous rate of 6.85 per cent. The 320-day rate will apply changes on January 15 1995.

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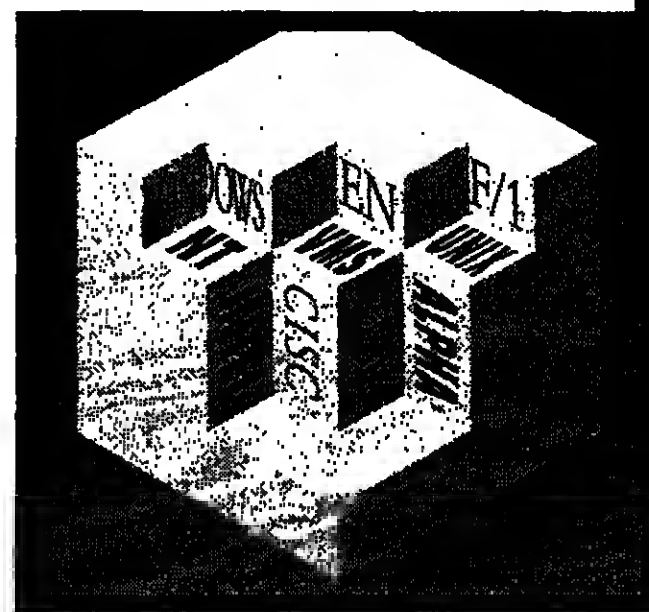
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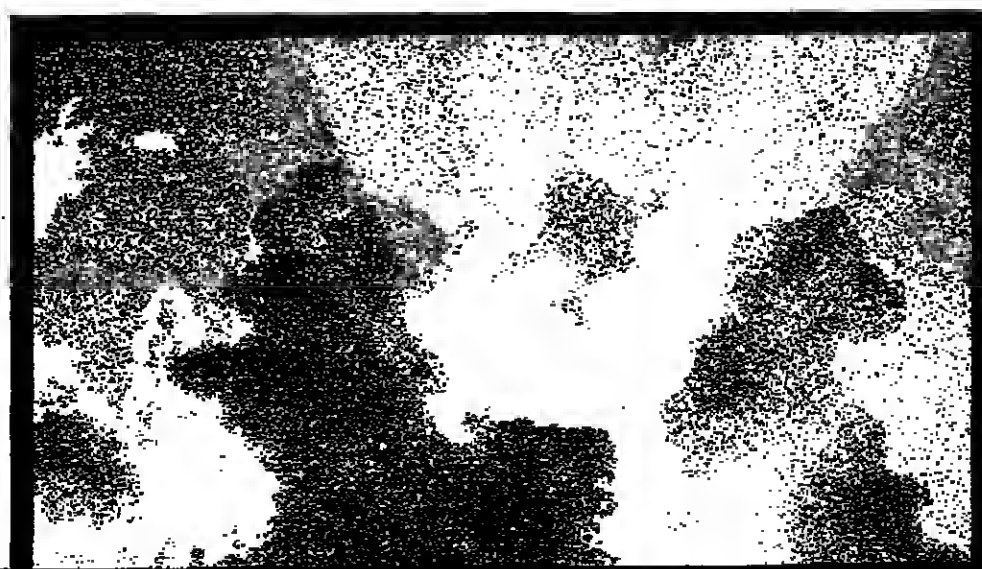
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## NEWS: UK

# Blair shrugs off setback

By Kevin Brown  
and Philip Stephens

Labour leader Mr Tony Blair yesterday pledged to press ahead with plans to rewrite the opposition party's constitution, in spite of an embarrassing defeat at the hands of traditionalist conference delegates.

Mr Blair shrugged off left-wing demands for a halt to his modernisation drive after delegates to the party's conference in Blackpool backed a resolution defending Clause 4, the party's 76-year-old commitment to widespread public ownership.

Dismissing the vote as "insignificant", Mr Blair indicated that he intends to have a statement of Labour's aims

and objectives in place well before next year's conference. But privately officials admitted the vote was a presentational debacle.

Mr Blair has already started work on the draft of a statement which will run to only three or four paragraphs. His intention is that it will replace Clause 4 on every membership card. Mr John Prescott, the deputy leader, will announce today the details of an extensive consultation programme with all party members.

Mr Blair believes this could be completed by the spring, paving the way for broad agreement well ahead of the 1995 conference. He expects its ratification at that gathering to be a formality.

Friends of the leader rejected suggestions that the Clause 4 vote had in any way altered what he terms "a seismic shift" in Labour's political strategy at the Blackpool conference. Mr Blair took comfort from the narrow margin of defeat - 50.9 per cent to 49.1 per cent - and claimed that many delegates would have voted against the motion had they not been mandated to support it before the conference.

"It makes no difference whatever to the review taking place. It has got absolutely no significance," he said on BBC radio. "I have absolutely no doubt that the review will take place and that the result will be absolutely positive for Labour."

However, senior officials admitted in private the defeat would damage Mr Blair's attempts to remodel the party and make a decisive break with the past.

The Conservatives were quick to exploit the confusion in Labour's ranks. Mr Michael Heseltine, trade and industry secretary, said the defeat revealed the "incompetence" of Mr Blair's leadership.

Mr Jeremy Hanley, the Conservative party chairman, said the vote revealed "the old Labour party".

Delegates also voted narrowly for a resolution opposed by the leadership calling for cuts in defence spending and the scrapping of the Trident nuclear submarine force.

## Scan the fields and scatter

By Deborah Hargreaves

British farmers this week enlisted US military navigation satellites to help them plant a wheat field.

Some 15 acres of winter wheat were planted at Shettleworth College farm in Bedfordshire using a sophisticated mapping system developed by Massey Ferguson, the farm equipment makers.

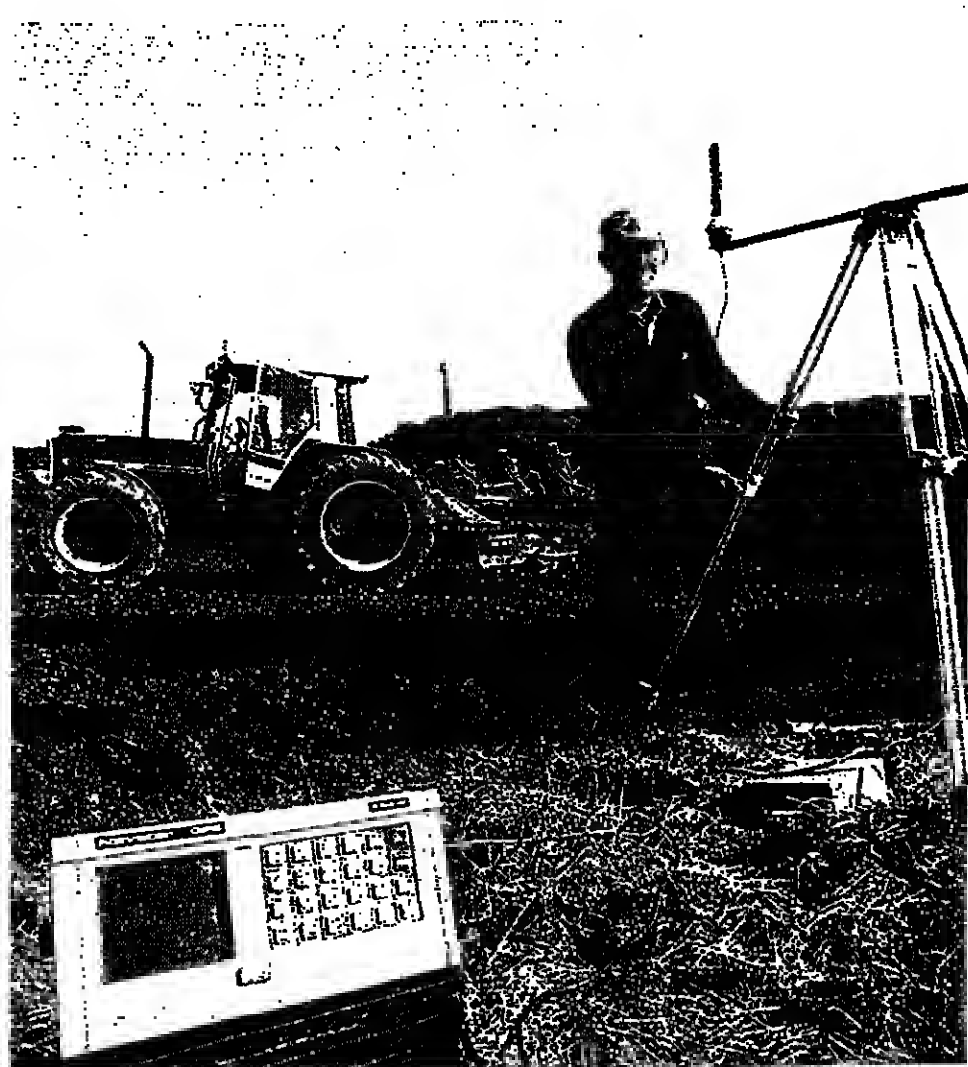
The tractor is fitted with a global positioning system which enables it to pick up signals from 21 satellites in orbit 12,000 miles above the earth which provide positioning information.

The signals automatically increase or decrease the amount of seed being planted according to where the tractor is in the field, allowing farmers to sow more seed on fertile parts of their land than on poorer areas.

A yield meter on a combine harvester during the harvest gives the producer data about the amount of grain produced in any part of the field.

This information is used to produce a yield map so that farmers can apply fertilisers and agrochemicals more accurately where needed.

The equipment for yield mapping and global positioning costs £11,500 (£18,170).



Robert Walker of Cranfield University seeds a field by satellite at Shettleworth college yesterday

## East European threat to farm support

By Alison Maitland

British farmers face the abolition of all price support if east European countries join the European Union, the National Farmers' Union said yesterday.

This prospect was set out in a paper drawn up by the union's leadership and launched at a meeting of its policymaking council.

Mr Martin Haworth, head of international affairs, said

extending Common Agricultural Policy subsidies to east European nations "could prove potentially fatal to the EU".

Not only would it mean a possible doubling of the present CAP budget of around Ecu35bn (\$43bn), it would also encourage increased production in eastern Europe, which has great agricultural potential, and lead to fresh surpluses in west Europe. Export of these surpluses on to world markets could not be subsidised

because of new limits under the Gatt trade deal.

Mr Haworth said opposing enlargement was unrealistic since member states were committed to the goal of membership for six east and central European countries - Hungary, Poland, the Czech Republic, Slovakia, Bulgaria and Romania.

"There's not much of a choice at all," he said. "It's very hard to see how you can continue with any kind of price

support in an enlarged Community."

The document, together with one in March on the implications for the CAP of the Gatt accord, is very different from the complacent approach taken by the union in the past. It follows an independent study published, but not endorsed, by the European Commission which called for farm subsidies to be phased into national budgets, with compensation for the worst hit regions.

## Union in court bid to save pensions

By Richard Donkin,  
Labour Staff

The GMB general union plans to make an attempt in the High Court to win pension rights for thousands of workers whose public-sector jobs have been privatised.

The test case has been filed on behalf of five school catering workers in Preston, Lancashire, under the European acquired rights directive on competitive tendering.

The workers, all women, lost their right to benefit from the local government superannuation scheme when their employer changed in June from Lancashire County Council to BET Catering Services, a BET subsidiary.

The union says that they

should keep their previous pension rights or be provided with an equivalent pension. Mr Mick Graham, the union's national secretary for local government, estimated that if the union won a ruling to be applied retrospectively, the pension rights of up to 500,000 employees could be affected.

Two previous attempts to bring the transfer of pension rights within the European directive foundered at industrial tribunals.

The union said that the government itself was urging companies tendering for contracts in the former public sector to provide equivalent pension rights. However the Department of Employment said that this was not an obligation but a recommendation.

## Britain in brief



### MPs push for changes to child support

A powerful committee of MPs looks set to recommend sweeping changes to the controversial Child Support Agency in a move that would increase pressure on the government to implement new reforms.

An early draft of the social security committee's latest report, circulated this week to committee members, is understood to argue for changes in many areas. These include the formula used when setting the level of maintenance payments to be made by absentee fathers and so-called "clean break" settlements between divorced couples.

The CSA was set up in 1993 to provide extra money for mothers bringing up children on their own. It has been fiercely criticised for failing to put children's interests first.

### Doctors ready to combat local pay

Doctors' leaders are preparing plans for action if the government imposes a new pay structure on National Health Service hospitals.

The government plans to replace the NHS's centralised pay structure with local performance-related arrangements. Yesterday, the British Medical Association decided to convene its sanctions working party.

### Regulator backs nuclear sell-off

Professor Stephen Littlechild, the electricity regulator, favours privatising the nuclear power industry, but believes power stations should be redistributed among the two state-owned companies, Nuclear Electric and Scottish Nuclear, to improve competition.

Prof Littlechild says in his submission to the government's nuclear review: "There

would be benefits in ensuring that all market participants throughout Britain are fully exposed to private sector financial disciplines."

### Film 'monopoly' criticised

British film buffs may be able to choose from a wider range of films at local cinemas following the publication of a Monopolies and Merger Commission report.

The report concluded that a "complex monopoly situation" exists among a small number of distributors and exhibitors, which has made it difficult for independent cinema operators to secure popular films. It criticised the distributors' "minimum exhibition period" of at least four weeks, and suggested this be changed to two weeks.

### Companies bid for road contracts

More than 70 companies forming 17 consortia have applied to bid for contracts to build and manage new or improved roads, the Department of Transport said yesterday.

They will be vetted and a short-list of those selected to make bids for the four road schemes already chosen by the government will be announced in about a month's time.

### Visa cuts fraud losses by 24%

Visa, the international card payments system, said yesterday that fraudulent payments had fallen by 24 per cent in the first quarter of this year, reflecting greatly improved detection procedures.

The fall occurred in Visa's Europe, Middle East and Africa division.

### Tea not allowed to go cold

Drinks which are called tea but are not freshly brewed are to be taxed.

The Customs and Excise department has ruled that "iced tea", sold in bottles or cans and sometimes artificially flavoured, is a soft drink and should carry value added tax at the standard rate.

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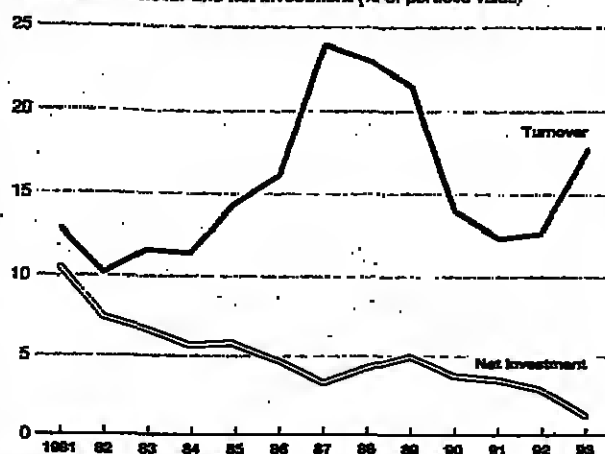
## PROPERTY

## The next crusade

Simon London on the quest for greater liquidity

## Trading places

Institutional turnover and net investment (% of portfolio value)



Source: Investment Property Database

If property is going to be taken seriously as an institutional asset class, it will have to become more user-friendly. Fund managers would be more ready to forgive its relatively poor performance over the past decade if property was not so expensive and time-consuming to trade.

The biggest problem is liquidity: the costs and complexities of dealing in commercial property look out of place judged against the standards of other asset markets.

Although industry guidelines on transaction fees were dropped some years ago, institutional dealing costs of 2.75 per cent for buyers and 2 per cent for sellers barely changed. While comparisons are difficult, dealing costs in bond and equity markets are a fraction of this amount. If property is like other assets - entering a period of low investment returns, the problem will become still more acute.

The 1 per cent agency fee paid by buyers survived recession intact, despite the proliferation of small independent companies. Agencies have remained reluctant to reduce their transaction fees even though charges for property management, research and other professional services have been cut.

Some believe that a different charging policy could enhance liquidity in the property market without reducing the profitability of companies.

"Fund managers need to wear agencies away from expecting windfall gains from transactions, although that means appropriate fees have to be paid for other services," said Mr John Whalley, chairman of the Investment Property Forum, a group set up to promote investment in property.

The growth in research and forecasting services offered by agencies is certainly an advance. But unless transaction fees are reduced funds will not be prepared to act on such advice.

The legal process of buying and selling property is another area of concern.

"The market has not changed its way of dealing with property for generations and it's about time a long hard look was taken," said Mr David Bramson, head of property services at solicitors Nabarro Nathanson.

Relatively simple transactions can be completed within a few days, Mr Bramson estimated that a deal involving

just one title and one lease might take 7-10 hours of lawyers' time to complete.

But bigger, more complex transactions of the type undertaken by institutional investors take much longer. One problem is that the governing legal principle -  *caveat emptor*  - puts the responsibility for checking details squarely on the shoulders of the buyer.

There is a view that fund managers are, as a result, too cautious. "Investors should narrow the scope of their due diligence," said Mr David Hunter, head of property investment at insurer Scottish Amicable. "Lawyers only do what we ask them to do."

A system of warranties - which, in effect, transferred responsibility for gremlins back to the seller - would help speed the process. There is no legal barrier to this way of trading.

The problem is persuading sellers to accept the lingering liability implied by a warranty.

Cautious investors could be the biggest culprits.

Warranties might also encourage the development of an electronic bulletin board, where big investors could post details of properties they are willing to sell. In theory, a deal identified on the board could be completed in a matter of hours.

Again, the snag could lie with the culture of the market rather than legal or technical barriers. A successful bulletin board would rely on a degree of transparency and openness which many property investors find alien.

Even if the market is unwilling to accept lower transaction costs and a streamlined legal process, there could be financial solutions to illiquidity.

One option is turning buildings into tradeable securities - a process known as unitisation - but this is a holy grail for many property bankers.

The menu of proposed securities at the end of the 1980s included Pincs (property

income certificates), Spots (single property ownership trusts) and Sapcos (single asset property companies).

While the techniques varied, the idea was the same: to increase liquidity by breaking lumpy assets down into smaller parts.

Some of these instruments made it to public markets. Billingsgate City Securities, whose sole asset was the Billingsgate office complex in the City of London, was floated in 1986. The London Stock Exchange also agreed to list Pincs, an idea devised by the securities arm of NatWest Bank and Richard Ellis, the surveyors.

Other than the inevitable tax hurdles, the biggest problem to this type of instrument is price. If investors are only willing to pay a discount to the asset value, the owner would probably rather sell in the open market.

But why should investors pay more than net asset value for a small share of a building over which they have no control?

Besides, single-building unitisation would not guarantee liquidity unless investors were willing to trade and market-makers could be found. A small, unwanted building would be no more liquid than before it was unitised.

Big unitised portfolios should, in theory, enjoy greater liquidity. But property unit trusts have suffered liquidity problems of their own caused by sudden outflows of funds. Closed-end investment trusts, with all their assets in physical property, might provide a better solution - if only the rules allowed.

Barelays Property Income Certificates (Pincs), launched earlier this year, side-stepped the most common problems of unitisation by offering investors a return linked to an index rather than an individual building or underlying portfolio.

If more issuers can be found to add to the outstanding \$150m stock of Property Index Certificates (Pincs), so much the better. Similar instruments based on sectors of the market or even geographic areas would also be possible if only indices were developed and issuers could be found.

Yet such instruments offer something quite different from the idea of liquid, physical property. Having come so close to the grail at the end of the 1980s, it could be time to start the next crusade.

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## An integrated approach

Tim Dickson looks at a consultancy firm's ambitious plans

Change management has been around a while - yet judging by a Price Waterhouse announcement this week the idea looks to have plenty of life left in it yet.

In a move designed to consolidate the fastest growing part of the firm's business, the international management consultancy practice unveiled details of a plan bringing together its previously separate strategic, operational and information technology consulting services.

The aim of the exercise - which has cost more than \$10m (£7m) to implement over the last year - is to respond better to what PW perceives to be a growing demand for large-scale change programmes across organisations and across national borders. This type of activity already accounts for about 20 per cent of the firm's fee income - from a standing start in mid 1990 - and is said to have pulled in more than \$250m of worldwide business in the last year alone.

PW's message - that companies too often opt for piecemeal solutions and that what they really need is a unified approach - is not exactly leading edge stuff; it has also been promoted by KPMG and Andersen Consulting among others. PW's reorganisation is nevertheless an indication that chief executives are increasingly confused by the myriad of different gospels currently being preached by the consultancy industry.

PW's approach has three main strands:

- \* The integration of the six "main levers" of change - people and culture; processes and systems; structure; technology; markets; and products and services.
- \* A strong focus on securing the commitment of interested groups.
- \* New software to assist in identifying best practices and performing process analysis.

Backing up its ideas PW has simultaneously published a book called "Better Change", claimed to be a practical guide for everyone initiating, leading, or affected by large-scale change programmes. It sets out 15 "key principles" which

PW has gleaned from its collective experience.

\* Confront reality. "We are all highly vested in the seductive notion that what we have built will continue to flourish."

\* Focus on strategic contexts. Knowing where to invest in change - where to seek improved performance - will separate the victors from the vanquished.

\* Summon a strong mandate. This is generally provided by top management, but it should be amplified by the voice of the customer.

\* Set scope intelligently. Focus on measurably improving performance in areas most important to the organisation and its key stakeholders.

\* Build a powerful case. You cannot assume others are prepared for change.

\* Let the customer drive change. Serving customers is a powerful common denominator in an organisation.

\* Know your stakeholders. Powerful individuals and groups have stakes in changes being contemplated.

\* Communicate continuously. Clear, succinct messages will be understood. Honest messages will be believed.

\* Reshape your measures. Take the time to re-evaluate and, if necessary, dismantle old measures.

\* Use all of the levers of change. (markets and customers, product and service offerings, the organisational structure).

\* Think Big. Small thinking dominates many projects, with predictable results.

\* Leverage diversity. Women and minorities "help to shake the old paradigms and where necessary replace them".

\* Build skills. Over-invest in human capital.

\* Plan. "To drive change you must develop a documented and detailed action plan for change."

\* Integrate your initiatives. "Savvy executives strive to balance the entrepreneurship of high-initiative managers with the need to adhere to a focused strategy."



It has long been evident that leaders tend to outlive their usefulness as circumstances change. Sir Winston Churchill's expiry date was the end of the second world war. Margaret Thatcher's was the achievement of the main planks of her radical reform programme. Mikhail Gorbachev's was the unleashing of democracy. The nature of each leader's departure differed, but in every case it was caused by their inability to adapt to changed conditions.

The same applies in the business world, but with a difference: that most chairmen and chief executives quit far too late, not only when their own performance has peaked, but when they have led their companies into dangerous waters. Witness the belated departures in recent years of the bosses of IBM, Kodak, Digital, Volvo and Scandinavian Airlines.

Few business leaders have the sense or humility to recognise their limitations and leave when they have accomplished the tasks to which they are best suited. One such rare exception was Michael Edwards, the former boss of British Leyland cars (now Rover), who was frank enough to admit when he left a decade ago that if he had stayed any longer than four years his value to the car company would have fallen by two-thirds. (His critics would say he went before the damage he caused could be uncovered).

By contrast last week's forced resignation of David O'Brien, head of National & Provincial, a leading UK building society, was a case of a permanent revolutionary failing to realise that although the upheaval he had wreaked - also for four years - had benefited the organisation's performance in the short term, it had begun to wear out its morale.

Against this litany of leaders with limited staying power can be set only a tiny list of people who

# Leaders should learn to bow out

Christopher Lorenz on the need for chief executives to develop a broader range of starring roles



Sir Christopher Hogg (left) and Jack Welch have adapted their focus and style to changing times

have learned to adapt their focus and style to changing times. The arch example in the US is Jack Welch, the charismatic chairman of General Electric since 1981.

In the UK the much quieter Sir Christopher Hogg has accomplished a similar feat at the head of Courtaulds, leading it through four very different phases: a battle for survival in the early 1980s; revitalisation in international markets for the rest of the decade; revolution at the end of it with the splitting of the company in two through de-merger; and then a renewed battle against recession, although this time from a strong international base.

The reasons why few leaders perform anything like as well - and for as long - as Welch or Hogg

were studied in the late 1980s by two Canadian academics, Henry Mintzberg and Francis Westley. They suggested that most leaders, whether in politics or business, find it hard to adjust more than once to what they called "the cycle of revitalisation". Once a new leader's first revolution - or set of reforms - achieves its objective, a state of order develops in which all sorts of routines are needed.

Some leaders fail to adjust even to this first shift. But if they do, they lose the ability to launch a new revolution when the times demand it, retreating instead into lofty distance at the top of the newly stable system. By contrast, the one-track revolutionary who cannot adjust becomes a restless irritant, or worse.

This analysis has now been built upon by one of Europe's leading experts on leadership, Manfred Kets de Vries of Insead. In an article called "CEOs also have the Blues", published in the latest issue of *European Management Journal*, de Vries argues that chief executives, like products, go through a life cycle. It has three phases: entry and experimentation; consolidation; and decline. He warns that the cycle is growing shorter, to eight years or fewer. The heady, first honeymoon phase is usually straightforward. In it, the chief executive's focus on just one or two themes - cost-cutting, quality, customer service, re-engineering, takeovers or whatever - is a strength. But in the second phase the chief executive

loses the excitement of mastering something new and settles down into the proven success formula. In relatively stable environments this can be an advantage. But in the more dynamic, turbulent scenes in most industries today it creates ossification, and triggers the third phase, of decline.

De Vries attributes the whole problem to what he calls the chief executive's "inner theatre": the subconscious assumptions and preoccupations, or "scripts", as he calls them, that people acquire over time, and which dictate their response to external stimuli. A more familiar term, used by US academics such as MIT's Peter Senge, is "mental maps".

Unlike Senge and most other writers on the subject, de Vries does not advise chief executives to attempt the unsettling process of self-renewal, in order to become Welch-like learners. This is only feasible for some people, he argues. Others should look for new horizons while the going is good, or settle for the role of mentor to younger executives, he says.

But that shift in behaviour itself involves a challenging degree of personal learning and renewal: the chief executive must foster a climate of trust and real dialogue, and allow all existing assumptions to be challenged.

In practice, this degree of change is too great for many chief executives to stomach.

But de Vries is right in arguing that, if they fail to regenerate themselves in this way, they risk becoming one of what he calls the "walking dead", and leaving a graveyard behind them.

To extend de Vries's theatrical metaphor, most chief executives face an uncomfortable choice. They must either recognise that they are one-act performers, and bow out in good time, or they must learn to become all-round artists capable of playing the lead in an extended drama of several very different acts.

\* EMJ Sept 1994 Fax 0855-643010

So now you are the boss. The board rang last night and this morning the chief executive's office has your name on it. Everything is in a state of flux. There is much work to do, and you know that you have some breathing space in which to introduce change. But, as a report in the *McKinsey Quarterly*\* points out: "Within 100 days or so a new order usually gets established and things settle down again... periods of transition are painfully short."

The report's authors explore how best to use the 100 days of opportunity, what to focus on and how not to sow the seeds of your own destruction.

"Executives... often focus, from the very beginning, on the kind of legacy they

## The first 100 days

want to leave behind," the report says. The next step is to ask: "What is the number one thing that could derail what I hope to achieve?" This approach keeps the new boss's mind focused on a strategy.

Then managers are advised to explore power bases and communications channels. A new chief of a US railway wanted to limit status symbols. He replaced the ground-floor executive offices with a fitness centre. "By the time he announced that one-third of corporate staff would be cut, the organisation

had already gotten the message: change was real and more was coming."

The report advises focusing on a few outstanding themes. One rueful CEO says: "If everything is a priority, then nothing is a priority. It may sound trite, but we do it to ourselves all the time. At times there seemed to be 200 'critical' things to do. Even when I pared the list down to 30 I still felt swamped."

Planning company successions is also crucial to long-term stability. In a survey by The

Conference Board\* of companies mostly based in the US and Europe, leadership continuity is the principal objective of succession planning, a process formally undertaken in 61 per cent of those surveyed.

Succession programmes are used to cover a great number of posts in some organisations. The survey says, however, that the process of tracking is often behind the times, although many companies intend to develop more meaningful criteria for evaluating capability.

Adrian Michaels

\*The *McKinsey Quarterly*, 1 Jermyn Street, London SW1Y 4UH. \*The Conference Board, 845 Third Avenue, New York, NY

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## TECHNOLOGY

Computers the size of a sugar lump are on the way thanks to nanotechnology, says Tom Foremski

# The smaller the better

Imagine a technology that allows you to manipulate a single atom and place it precisely in a specific position - a technology that promises to affect virtually every aspect of our world.

Scientists exploring nanotechnology are working on a scale 500 times smaller than today's advanced computer chips. The ability to manipulate individual atoms would mean that a computer with more power and more memory than the combined capacity of all the computers ever produced could be made no bigger than a lump of sugar.

But how can scientists pick up a single atom and place it in a precise location? Researchers believe the answer could lie in adapting the relatively new and extremely powerful atomic force microscope. This device uses a diamond with a single atom at its tip to take pictures of atoms based on the electronic forces between them.

Researchers have found that when using the microscope they can also move individual atoms. IBM's Almaden Research Laboratories in California used an atomic force microscope to place individual xenon atoms on a nickel surface to spell IBM.

Eric Drexler, who coined the term

nanotechnology in the mid-1980s and is the author of the book *Nanosystems*, believes that atomic force microscopes can be adapted to be efficient manipulators of individual atoms.

"It will be an enabling technology if we can develop atomic force microscopes that 'grip' an atom and not only position it but also rotate it," Drexler says. Current research is focused on adapting the microscope.

However, building a product atom by atom using an atomic force microscope would be an incredibly slow process. Researchers have proposed building molecular machines invisible to the naked eye to do the manipulating.

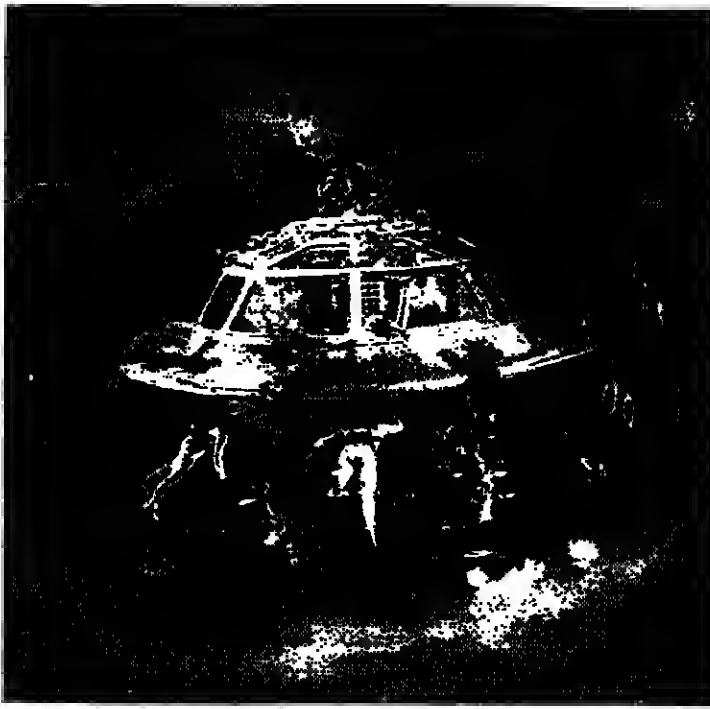
Ralph Merkle, a researcher in nanotechnology at the California-based Xerox Palo Alto Research Centre, believes the potential applications are great. "If we can create a manufacturing technology that can precisely manipulate individual atoms, we can improve virtually every product made," he says.

Scientists believe that the first applications for such technology are likely to be in medicine and surgery. Molecular machines could be injected into the body to seek out and kill diseased cells and repair delicate organs.

Researchers also believe there will be defence applications, such as the development of new weapons systems and lightweight hardware. Merkle believes that nanotechnology will usher in the Diamond Age, an age as important as Stone, Bronze, Iron and Silicon. "Diamond is 50 times stronger than steel, it is light, it makes an excellent semiconductor, its heat conduction is excellent. It is the all-round ideal material," he says.

How far away are the promises of nanotechnology? Drexler believes "it may be 15 to 20 years away." He adds: "We are talking about a technology that will have a greater impact than the industrial revolution on a much shorter timescale, yet we are doing nothing to prepare for it."

Merkle is optimistic about development prospects: "I don't know when we will have these capabilities, but if you take a look at how quickly chip manufacturers are shrinking their chip designs, and you look at the rate that manufacturing technologies are improving their resolution, and you consider the rate at which power consumption of individual transistors is declining; if you chart these rates as straight lines, they all converge in the 2010 to 2020 timeframe."



Fantastic Voyage: film fiction may soon become fact

In the meantime, nanotechnology researchers are busy designing the computers and molecular machines that they believe will be built one day.

Nanotechnology research is being carried out by small groups of scientists around the world. Japan recently began a 10-year, \$200m (£133m) research programme. But so far there has been no large-scale organised effort, despite what some researchers see as its great promise.

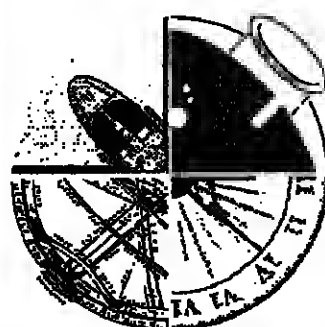
Commercial interest is growing in the subject, and the northern California area is emerging as a focal point for commercial and academic work. Nanotech, a San Francisco based company was recently formed to disseminate information on nano-

technology and to help identify investment opportunities.

Paul Green, Nanotech chairman, describes nanotechnology as "the mother of all technologies". But right now it is a technology that is attempting the difficult transition from the theoretical to the practical.

Eric Drexler, while optimistic about development, is also concerned about the wider impact of trade, jobs and economies of a technology that could make virtually any product 100 times cheaper and with a quality at least 10 times better. "Nanotechnology is inevitable. There is no one arguing that it won't happen. Therefore we must begin to plan on its use and how it will change our societies."

## Worth Watching · Vanessa Houlder



### Recognition for continuous speech

The first speech recognition system that can deal with continuous speech was announced by Philips Electronics of the Netherlands this week. Although such recognition systems have been available for several years, they have been difficult to use for dictation because they relied on pauses between words.

The Philips technology depends on the recognition of phonemes, the smallest acoustical component of a language. The system, which must be trained to the user's voice, draws on knowledge of how words are pronounced and how sentences are put together to recognise text.

Philips researchers in Vienna and Aachen have used the technology in a dictation system for radiologists. The system, which has a vocabulary of 25,000 words, recognises normal speech and converts it into text. Philips Dictation Systems: UK, tel 01206 755600; fax 01206 755666

### Sparing cats the unkindest cut

A vaccine for neutering male cats has been developed that could avoid the trauma of surgical castration. The vaccine, which was designed by Proteus International, a specialist in computer-aided drug design, has undergone trials which show that it stops sperm production and reduces testosterone levels in tom cats.

The vaccine interferes with the action of GnRH, a hormone which stimulates the pituitary gland to produce hormones that trigger the production of testosterone. It uses an analogue of GnRH which stimulates an immune response that prevents GnRH from stimulating the pituitary gland. Further tests are being conducted to examine how long

the vaccine lasts and whether its effects can be reversed. Proteus, which is in talks with a number of potential partners, believes its use could be extended to neuter female cats, dogs and cattle. Proteus International: UK tel 0635 500 555; fax 0635 500 666

### Shell's smart way to score points

Shell UK has launched a smart card scheme to promote petrol sales, which it describes as the world's largest electronic points collection scheme.

More than 3m petrol buyers are expected to use the smart cards to collect points for gifts, flights, entertainment or charities. The points, which are stored on a microchip inside the card, can be processed by more than 1,800 electronic terminals in UK service stations.

Shell believes it is the largest retail use of smart card technology in the country. The cost of handling electronic transactions is expected to be far less than processing the paper vouchers and stamps used previously.

Shell UK: UK, tel 071 257 4444; fax 071 257 5539

### Cartilage cells clue to treatment

Swedish researchers have successfully transplanted laboratory-grown cartilage cells into injured knees. The findings hold out hope that this method of repairing cartilage defects could help arrest the development of osteoarthritis.

The research, described in the *New England Journal of Medicine*, involved surgically removing a small amount of each patient's healthy cartilage, which was then grown in tissue culture. The cells were surgically put into the patient's damaged knee.

The results of the treatment of 23 patients were described as "highly promising" by the research team at the University of Gothenburg's Research Centre for Endocrinology and Metabolism and Sahlgrenska University Hospital in Sweden.

The scientists are now collaborating with BioSurface Technology, a US specialist in tissue engineering products, to conduct clinical studies. Sahlgrenska Hospital, Sweden, tel 4631 602230; fax 4631 321524

## Steeled for success

The Japanese are working on cheaper and cleaner smelting, writes Arnold Redhead

At NKK's Keihin steel complex on a man-made island in Tokyo Bay, nine researchers from seven Japanese steel companies are working on a technique they hope will produce a cheaper, cleaner and more efficient way of making steel.

The researchers are in the penultimate year of an eight-year project sponsored by the Japanese government to research the commercial viability of direct iron ore smelting, which eliminates two of the most expensive and messy parts of steel-making.

The Japanese are one step ahead of countries such as the US and Australia in the race to commercialise the process, according to Ken Kanamori, a senior engineer from Nippon Steel, who is leading the project. The Japanese team say they have successfully produced pig iron at a pilot plant built next to a conventional blast furnace NKK shot down because of recession.

In conventional processing, a standard

blast furnace requires the two raw ingredients - coking coal and iron ore - to be processed separately before they are put into the furnace to make molten iron. Coking coal is turned into burnable coke by baking in ovens. Raw iron ore is converted from its powdered state into lumps in a process called sintering. The two materials are then transferred to the blast furnace to be melted into pig iron, which is processed into steel.

The Japanese team has removed the need for the separate coking ovens and sinterers by building a blast furnace with two smaller

furnaces attached to the top, one above the other. The iron ore powder is poured into the top of the structure and passes through the two small furnaces where it is sintered using gases generated when ordinary coal, rather than coke, is put directly into the main chamber and burned. The iron ore passes through the two furnaces at the top and mixes with the coal in the main furnace to produce pig iron.

"We estimate that the cost of producing steel can be cut by around 10 per cent using this method," Kanamori says. He adds that

coking ovens and sinterers are the biggest investment a steel company must make. Since Japan's top five steel makers are expected to lose a collective ¥123bn (£79m) in the six months to September they are likely to consider the ¥15bn project (75 per cent of it from the government) as money well spent.

The pilot plant produced 500 tonnes of pig iron in a trial run earlier this year. The test used 800 tonnes of coal against the 840 tonnes of the more expensive coking coal normally needed to produce the same amount. The team says the pig iron can also be fed into electric arc furnaces used by mini-mills.

Kanamori says the quality of the pig iron is almost the same as that from a regular blast furnace. But it is likely to take at least another 10 years before the process is able to produce steel in large enough quantities to be commercially viable.



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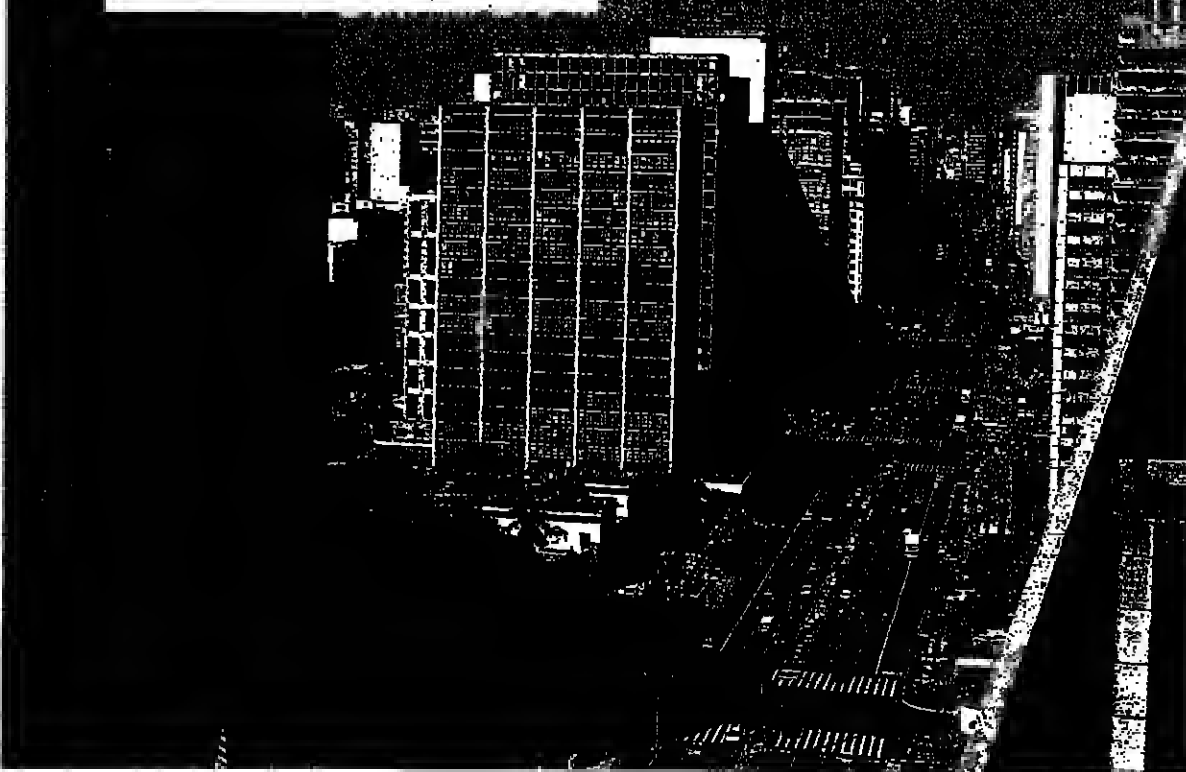


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## ARTS

Sponsorship/Antony Thorncroft

## Clients queue up for incentive cash

**N**ext month the Association for Business Sponsorship of the Arts will announce its estimate of corporate expenditure on arts sponsorship in the UK in 1993-94. The figures are unlikely to show much change from the previous year, when, for the first time in two decades, spending dropped, by 18 per cent to £57.7m.

If the arts have managed to hold their own this will be some achievement. Overseas, especially in the US, sponsorship has not recovered from the recession and many arts companies are suffering badly.

In another repeat of a year ago, the arts outside London have proved more successful in attracting support, especially from smaller companies new to the game, while the big London flagship organisations are still finding it difficult. The desire to see sponsorship money work, with a marketing pay off, is growing, but corporate subscriptions to arts

companies, offering seats for the boys on the board, are harder to justify these days.

Ironically, while the overall sponsorship spend is marking time, applications from new sponsors to the Business Sponsorship Incentive Scheme are running at record levels, up to 60 a month. The government financed scheme, operated by ABSA, has £4.8m this year with which to match the contributions of new sponsors (with lesser deals for repeat sponsors). It has proved an effective trigger for attracting business: in the ten years of its existence the government has contributed around £26m while persuading companies to give £22m to the arts.

So great is the weight of applications that the BSIS cannot satisfy everyone, and companies currently seeking

help can expect cuts of between 30 and 40 per cent in matching money. This is causing real problems: the BSIS contribution is often built into the sponsorship, being earmarked for advertising, or for an educational project. Sometimes sponsors make up the BSIS shortfall; sometimes they withdraw from the sponsorship, or delay the deal. Small sponsors giving up to £5,000 are so far unaffected.

ABSA hopes that the obvious success of the BSIS will encourage the government to increase its funding in 1994-95: after a 7 per cent rise last year the grant is scheduled to be frozen. Extra money will save ABSA embarrassment, for while most applications are being scaled down, some, including a few in the new top

category of £35,000, are allowed through. There are cries of favouritism.

ABSA obviously wants to encourage sponsors in imaginative experimental areas avoided by play-safe companies. That is why it has just given Michelob, the American brewer, £35,000 to raise to over £100,000 its support for the Michelob Pioneer Programme, which enables small to medium sized theatres to receive better funded work from visiting companies.

Among the seven venues to benefit are the Young Vic, the Traverse in Edinburgh, and the Contact in Manchester, and the companies getting much needed additional funding from Michelob include Gloria, IO and Phoenix Dance.

Another sponsorship to receive the full £35,000 is the

syndicate backing the Romanian National Opera which is currently touring the UK. While most of the £2m funding has come from a mysterious Romanian multi-millionaire, around £200,000 was raised by companies with an interest in Romania, like East Coast Travel, Shell Romania, Price Waterhouse Romania, etc.

The aim is to perpetuate the package, with the sponsors continuing to help the opera company on its return to Bucharest, forming, in effect, a nascent ABSA-Romania, a concept dear to the heart of ABSA's director, Colin Tweedy.

There may be good reasons for ABSA's generosity in these cases, but in the small and gossip world of sponsorship they have aroused some bitterness, especially the

award to a foreign arts company. The fact that Paul Hudson, who heads the BSIS at ABSA, visited Romania before the grant was made has not helped.

**T**he Tricycle Theatre's "Pay What You Can" scheme has been saved by LooT, appropriately enough. For the last four years on Monday nights and Saturday matinees, the unemployed, students, disabled, and the old could see a show at this north London theatre for as much, or as little, as they wanted to pay: a penny would get you in.

The idea brought a new and needy audience to the theatre, and was copied by Contact in Manchester and, just recently, by Battersea Arts in London, but was proving costly in an

era of frozen grants. On average the contribution at the door was £2.25, well down on the average ticket price of £7.

But LooT, London's free advertising newspaper, is making up the difference for the next year at a cost of around £9,000. This is its first sponsorship, but its offices are nearby and there is a natural link between free advertisements and free access.

A series of six lunchtime concerts of 20th century British music in City churches may not look ground-breaking, but the fact that they are backed by the HSBC with around £40,000 (plus £25,000 from the BSIS) is important. HSBC, better known as the Hong Kong & Shanghai Bank, acquirer of

the Midland, rivals Glaxo as the UK's second largest company. It has never got into sponsorship before but wants to promote its new identity. Its commitment will grow. The concerts are free, involve the City of London Symphony, and contain three new works commissioned by HSBC. The next will be on November 9 at St Katherine Cree.

CEREC reports that 61 per cent of arts organisations would currently accept tobacco brand sponsorship, but few actively seek it... The Visual Arts UK Festival, to be held in the northern region, has attracted over £50,000 in sponsorship from Air UK which will act as official airline, fly in artists, and carry the Visual Arts UK logo on its aircraft... BP is renewing its £100,000 a year support for the Portrait Award at the National Portrait Gallery until 1997 with an option until 1999... The National Trust has attracted £1m partnership support from the Rover Group.

Theatre/Ian Shuttleworth

## Goldoni at full tilt

**M**ichael Bogdanov's production transfers from The Swan at Stratford with his most frustrating hallmark intact, a keen and often audacious grasp of the big picture coupled with a tendency to let individual details slip sloppily by and undermine his overall vision.

Two hundred years ago Carlo Goldoni's *The Venetian Twins* was the first *commedia dell'arte* play successfully to be staged with the actors neither wearing masks nor improvising freely among the basic scenario, but following a set script.

For the most part Bogdanov goes full tilt for the *commedia* flavour, modulated for modern sensibilities after the example of Dario Fo. Actors do not just soliloquise at, but banter and interact with the audience - culminating in a sequence in which a supposedly hapless punter in the front row is accidentally stabbed during a duel, cueing a stage invasion by police, ambulance men and even a couple of curious actors from the show in the pit.

Audience contact is aided by Bogdanov and designer Kendra Ullart's solution to recreating the intimacy of the smaller Swan space: they simply sit a couple of dozen punters on the Barbican stage, some at pavement tables of a Venetian bar.

David Troughton is both the linchpin of these diverse frolics and the primary source of the energy which sustains the play's central premise through almost three hours; he plays the Twins Zanetto and Tomino, sunders years back and both coincidentally arriving in Venice to wed their respective beloveds.

The ensuing confusion, both romantic and financial (as one twin walks off with the other's riches and so forth) is straight out of Plautus via *The Comedy of Errors*. But Troughton, as both the Venetian rascal Tomino and the Bergom bumpkin Zanetto, puts his back into the quick changes, slapstick and ad libbed topical asides - perhaps too much so:

on the press night, one caught a distinct whiff of the rehearsed bluff, with Troughton deliberately tripping over lines for the sake of another gaggle.

Such excess is forgivable because he carries the show virtually single handed. This is where Bogdanov's big idea becomes unstuck. Actors simply do not accommodate each other's rhythms and energy levels in the way that would elevate the production from simply nodding acknowledgment at *commedia* to actually doing it.

The women in particular (Sarah Woodward and Jenny Quigley as the wives-to-be and Sian Radinger as a supposedly feisty maid-servant), make no attempt to grab a slice of the action for themselves, but are content to be pulled along by the action - lazy acting at the best of times, and verging on the disastrous in such a play as this. Only James Hayes, as a deadpan Irish manservant, carves a niche of his own to rival Troughton's towering exuberance.

**M**odish contemporary sensibilities also ruin the ending. We all realise that the death of one of the twins is merely a device to prevent the lead actor from having to bi-locate himself during the dénouement; yet, if the resolution contains elements of potential shadow, current tastes dictate that the darkness control be turned up to 12 if at all possible. Bogdanov, alas, does not shrink this impulse. Consequently, as the artificial gloom gathers at the close, the audience is left vainly trying to feel guilty about its earlier guffaws, before growing just plain bewildered at an allegedly grotesque, but simply gratuitous masked epilogue.

David Troughton's effervescent twin performances are undeniably worth a look: it would have been nice if more of the production had backed him up.

At the Barbican Theatre, (RSC) 071 638 8891.



David Troughton: his effervescent performance carries the comedy

Music in London/David Murray

## Mahler, and too much more

**O**n Wednesday the Barbican Hall's cycle reached the Third Symphony (repeated last night). And very impressive it was; but it would have seemed still better had it stood alone, instead of following two extraneous pieces in an over-egged programme. One admired the stamina of Michael Tilson Thomas and the London Symphony, but regretted not having more of it oneself.

Nemesis came at the quietest moment of the Adagio finale, when a solo flute asks a tremulous question before the ultimate climax. In the hush, two women decided that they had to leave - doubtless for the last train home: the programme had already overrun its time half an hour - and struggled out, *clap clap* it was a pity, but it was inevitable.

Mahler strove regularly after an ideal, the symphony that would make a whole concert - a whole expressive world - by itself. Here, before the unacces-

sary interval we had already had two superfluous *bonnes heures*. An early Brahms set of Romantic songs, op. 17, for women's voices with pairs of harp and horns, was entirely charming. After an elaborate re-peopleing of the stage, we heard George Benjamin's brief *Jubilation*, an LBA commission from 1985 for extravagant forces including a steel band. It tickled the ear, but made no jubilant report: some misfire there.

For the sake of these 20-odd minutes of music plus interval, we had to wait more than an hour before the Mahler Third began. Can interval-sales at the bar really be so important? But the symphony did begin triumphantly, with eight horns flinging out their union challenges, and in fact Tilson Thomas held our attention in thrall to the end.

Along with the Seventh, the Third used to be the Mahler symphony least favoured by performers. Too wild and disparate, it was thought, and

the finale too dangerously near to *Kitsch*; and yet it now sounds like a mainstream masterpiece. How much our ears have changed! Tilson Thomas made the long first movement properly overbearing and baroque, but never strident. The "minuet" was artfully prinked out, the scherzo brilliantly spring-heeled and varied.

As in the Second Symphony last week, Nathalie Stutzmann was the superb contralto soloist, heartfelt and poignant in both the Nietzsche movement and the *Wunderhorn* ode with the London Symphony Chorus and the excellent Southend Boys' Choir. And the Adagio was a tour de force: rigorously sustained and gripping, but interpreted with a wealth of discreet, canny freedoms. Not the most affecting performance I've heard - but colossal, magnificently thought through. The orchestra deserved unlimited praise.

Thursday's concert sponsored by Nikon UK Ltd.

## Tallis Scholars reach the masses

**E**arlier this year the Tallis Scholars took their Palestrina to Rome. Below the golden renaissance ceiling of the Basilica di Santa Maria Maggiore the group had been invited to celebrate the 400th anniversary of Palestrina's death at the heart of the city where he lived and composed.

This was not a private occasion: Ginnell, the company set up as the recording arm of the Tallis Scholars, has issued a live recording of the event on CD and video, and plans that the video will be sold to television companies worldwide. A follow-up concert held in the Sistine Chapel, to celebrate the end of the cleaning of Michelangelo's "Last Judgement", was shown live on Italian television and subsequently broadcast in Japan.

Early music - even unaccompanied sacred music - has become big business. To those who knew this music solely within a religious context it must be puzzling or even disturbing to watch it being opened up to mass audiences, researched, recorded, mar-

keted, broadcast in the same manner as any other public music.

Founded in 1973, the Tallis Scholars were early into the field and have never let that advantage slip. There is no group to touch them for quality and professionalism - least of all in Italy, where interest in the great Italian heritage of

**Richard Fairman** hears works by two very different early music composers

Palestrina and even Monteverdi was long ago swept away by enthusiasm for the Italian opera composers of the 19th century. After Rome the Tallis Scholars have returned to London. Peter Phillips, the group's founder, is keen to remind us that not only Palestrina but also Lassus died in 1594 and has put together a series of concerts pairing these two very different composers. At the Queen Elizabeth Hall on Wednesday the first pro-

gramme included Palestrina's *Missa Papae Marcelli*, his most celebrated work, and Lassus's Penitential Psalm No. 2. Setting Palestrina at his most lucidly radiant face to face with the darker, more personal probing of Lassus - the summit South of Europe opposed to the gloomy, introspective North - could hardly have made the contrast between them more striking.

The performances, directed by Phillips, were as flawless as ever. The Tallis Scholars' characteristic sound, bright and penetrating trained voices with no vibrato, was accentuated by the dry acoustics of the QEH, where even the vowels (the "e" of "et resurrexit") started with a kick. One way or another there was a concentration about the singing that set it apart from the devotional atmosphere of worship. Perhaps that is inevitable when this music enters the public, professional arena.

The Palestrina and Lassus series continues during the winter at St. John's, Smith Square.

## INTERNATIONAL ARTS GUIDE

## Asger Jorn retrospective

A retrospective of the Danish artist Asger Jorn (1914-1973) opens tomorrow at Amsterdam's Stedelijk Museum. It includes 100 paintings and a large number of drawings by an artist viewed by many as one of the greatest of the second half of this century. Paintings have been and from leading museums and private collections, including the Tate Gallery in London, the Guggenheim in New York and the Lenbachhaus in Munich. Several are not customarily loaned out, but occupy a central place in Jorn's oeuvre - including *Lettre à Jom* (1958-7), *Stalingrad* (1956-72) and *Age* (1972). Jorn's paintings are inhabited by mythical figures, strange animals and human faces. Abstract and figurative forms are closely and sometimes inextricably interwoven. The titles are lyrical and evocative, but Jorn always warned against reading them as explanations. No

deliberate symbolism is to be found in the paintings. According to Jorn, the most important thing in Northern art is not concept but mood, given shape by an inner strength. The Stedelijk show runs till November 27.

**EXHIBITIONS**  
**AMSTERDAM** Stedelijk Museum The Renaissance Print 1470-1500. Ends Oct 30.  
**CLOSED** Mon  
**BARCELONA** Fundació la Caixa Between Presence and Representation: 19 works by Spanish and foreign artists, mostly dating from the 1930s. Artists represented include Judith Barry, Tony Cragg, Anish Kapoor and James Turrell. Ends Nov 8.  
**BASLE** Kunstmuseum Femand Léger (1881-1955): an exhibition focusing on the major creative period from 1911 to 1924. Ends Nov 27. Closed Mon  
**BERLIN** Brücke Museum Early Kandinsky: a survey of a little-known period in the German Expressionist development. Ends Nov 27. Closed Tues  
**ALTES MUSEUM** Eldorado: pre-Columbian gold treasures from South America. Ends Jan 8. Closed Mon  
**BREMEN** Kunsthalle Toulouse Lautrec's Paris Nights: 200 paintings, posters and drawings from the 1890s. Ends Jan 22. Closed Mon  
**BRUGES** Groeningemuseum Hans Memling: a 500th anniversary show grouping

some 40 works by the 15th century Flemish master. Ends Nov 15  
**DRESDEN** Kupferstich Kabinett James McNeill Whistler: all 62 exhibits were collected in Dresden between 1892 and 1919, and are being shown for the first time. Ends Nov 25. Closed Sat and Sun  
**ALBERTHUM** Christian Friedrich Gille (1805-1899): the most comprehensive exhibition yet devoted to the 19th century German landscape painter. Ends Nov 27. Closed Thurs  
**FRANKFURT** Schirn Kunsthalle Nicholas de Stael (1914-55): retrospective of the Russian-born artist, documenting his intense but tragically brief career. Ends Nov 27. Daily  
**JAHREHUNDERTHALLE** Hoechst Contemporary Art from Frankfurt Banks: major works by Hans Arp, Georg Baselitz, Rebecca Horn, Anselm Kiefer, Sigmar Polke, Andy Warhol and many others from the 1950s to the present day. Ends Nov 20. Daily  
**DEUTSCHES ARCHITEKTURMUSEUM** Contemporary Architecture in Brazil. Ends Nov 6. Closed Mon  
**LONDON** Hayward Gallery The Romantic Spirit in German Art 1790-1990. Ends Jan 8. Daily  
**ROYAL ACADEMY OF ARTS** The Glory of Venice. Ends Dec 14. Daily (advance booking 071-240 7200)  
**BRITISH MUSEUM** Greek Gold - Jewellery of the Classical World. Ends Oct 23. Daily  
**COURTAULD INSTITUTE** Conrad Felixmüller (1897-1977): drawings by the major second-generation German Expressionist. Ends Oct 30. Daily

Heinz Gallery Charles Rennie Mackintosh - The Chelsea Years 1915-23. Ends Oct 29 (Royal Institute of British Architects)  
**LUGANO** Museo Cantonale d'Arte Corot: more than 120 paintings and sketches. There are some early Impressionist studies from his Italian visits, but the show consists mainly of studio works from his later years, which look back to the classical landscape style rather than forward to Impressionism. Ends Nov 6. Closed Mon  
**LYON** Musée des Beaux-Arts Maurice Denis: the first retrospective in France since 1970, with more than 200 canvases, sketches and objects of art by the Nabis artist. Ends Dec 18. Closed Mon and Tues  
**MADRID** Fundació la Caixa Kandinsky and Mondrian - Two Roads Toward Abstraction: this show covers the years 1911-20, and aims to illustrate the parallels and differences in their stylistic evolution. Ends Nov 13 (after which it will transfer to Barcelona). Closed Mon  
**FUNDACION JUAN MARCH** Treasures of Japanese Art: 110 works from the 17th to 19th century, on loan from Tokyo's Fuji Art Museum. Ends Jan 22. Daily  
**MUNICH** Kunsthalle der Hypo-Kulturstiftung Edvard Munch and Germany: 100 paintings by Munch, plus works by German artists who influenced him, and by early Expressionists who found inspiration in works like *The Scream*. Ends Nov 27. Daily  
**LENBACHHAUS** Tanzania: more than

400 masterworks of African sculpture. Ends Nov 27. Closed Mon  
**NEW YORK** Metropolitan Museum of Art Origins of Impressionism: a landmark exhibition of 175 paintings by Parisian artists of the 1860s, illustrating the influences that artists such as Courbet, Degas, Manet, Monet, Renoir and Cézanne had on each other, the harmony of their talents and the aesthetic dialogues that were created as they sought to develop a thoroughly modern art. Ends Jan 6. The Annenberg Collection of Impressionist and Post-Impressionist Masterpieces. Ends Nov 27. William de Kooning's Paintings. Ends Jan 8. Closed Mon  
**GUGGENHEIM MUSEUM** The Italian Metamorphosis 1943-1968: a survey of visual arts in the postwar period, focusing on a period when Italy became a leading exporter of culture, and Italian design and style became synonymous with the innovative quality. The exhibits include Arte Povera paintings, fashion designs by Valentino, models of significant architectural monuments and artists' jewellery. Ends Jan 29. Japanese Art After 1945: a comprehensive history of Japanese avant-garde art over the past 50 years (at SoHo). Ends Jan 8. The main museum is closed on Thurs, the SoHo site on Tues  
**MUSEUM OF MODERN ART** Cy Twombly (b1929): retrospective of the American artist who moved to Italy in 1967. Ends Jan 10. The Prints of Louise Bourgeois: 140 works by one of America's most distinguished contemporary artists. Ends Jan 3. Mapping: paintings, drawings, photo-composites and

sculptures by around 20 artists, including Giorgio de Chirico and Jasper Johns, exploring the ways in which modernists have made map imagery a principal focus of their work. Ends Dec 20. American Politicians: 150 rare photographs examining the ways in which photography has illustrated American politics since Abraham Lincoln's time. Ends Jan 3. Closed Wed  
**PARIS** Grand Palais Poussin: this 400th anniversary retrospective brings together 140 drawings and 100 paintings, including the two sets of Seven Sacraments and some of Poussin's finest paintings on classical and biblical themes. The overall impression is of contradictory inspiration - the Bible and Ovid; contradictory themes - cruel battles and pastoral idylls; contradictory means - floating draperies and bodies of sculptured perfection. All are underlined by the use of strong reds, yellows and blues, and united by the personality of the philosopher-painter. Ends Jan 2. Gustave Callebotte (1848-1894): retrospective of by the painter and patron of art who belonged to the circle of Impressionists more by the modernity of his subjects than by the actual impressionist technique of painting. Ends Jan 9. Closed Tues, late opening Wed  
**MUSEE D'ORSAY** Forgotten Treasures from Calix: a surprisingly rich collection of works by Ingres, Courbet, Monet, Rodin and Gauguin, most of which were bought during the 1920s wave of commercial expansion and subsequently placed in Egyptian

national collections, where they have remained largely unnoticed. Ends Jan 8. Closed Mon  
**LOUVRE** From Across The Channel - British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner, plus other drawings, watercolours and engravings. Together they add up to a panorama of British art. Ends Dec 19. Closed Tues (Hall Napoleon)  
**MUSEE CARNAVALET** The English in Paris in the 19th Century. Ends Dec 5. Closed Mon (23 rue de Sévigné)  
**STOCKHOLM** Nationalmuseum Goya: a comprehensive picture of the 18th century Spanish master, with a total of 50 paintings and 60 prints. Most have been lent by public and private collections in Spain, including Colossus from the Prado and Arrest of Jesus from Toledo Cathedral. Ends Jan 8. Closed Mon  
**WASHINGTON** National Gallery of Art Milton Avery (1893-1965): 67 works on paper by the American artist. Ends Jan 22. From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists. Ends Nov 27. Daily  
**WOLFSBURG** Kunstmuseum Man Ray: more than 60 photographs by the American master of the enigmatic and the unusual, mostly dating from 1919-1949. Ends Jan 15. Jean-Marc Bustamante (b1952): a collection of large steel sculptures by the French artist. Ends Nov 27. Closed Mon



The consolidation of the US healthcare industry is continuing, despite the failure last month of President Clinton's proposed healthcare reform legislation.

This week's acquisition by Columbia/HCA Healthcare, the biggest hospitals group in the US, of HealthTrust, owner of the second-largest hospital chain, is part of a wave of mergers and acquisitions in the industry. There were 51 US healthcare mergers and acquisitions in the first six months of 1994 alone, according to KPMG, the accountants.

It is also the third takeover by Columbia in 15 months, transforming the Texas-based group from a company owning 23 hospitals to one with 311 and almost 5 per cent of the hospital beds in the US.

Other recent deals have included acquisitions worth \$765m by the Tennessee hospital group Orinda, the purchase of 47 psychiatric hospitals for \$200m by Charter Medical of Georgia, and the sale by California's National Medical Enterprises of 28 rehabilitation hospitals and 45 outpatient centres to HealthSouth Rehabilitation of Alabama for more than \$300m.

The upheaval is not confined to hospitals. Health insurers are merging. Wall Street financiers are building empires in residential care for the elderly. Surgery departments are offering cut-price heart bypass operations. The legendary salaries of US doctors are under attack. Ambulance companies are being touted as the next big merger area.

This is happening without the intervention of Washington. President Clinton has postponed plans for healthcare reform to next year. But the healthcare industry is continuing to change rapidly, largely in pursuit of lower costs.

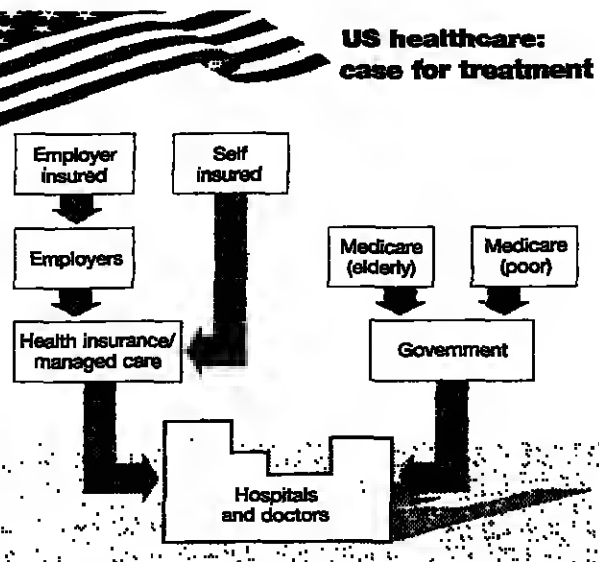
At stake is the \$600bn a year of revenue paid to US hospitals, nursing homes and doctors. This is 9 per cent of GDP and more than most European countries spend on their entire health services.

The main reason for the high costs is inefficiency, says Mr Eran Broshy, a vice-president of Boston Consulting Group in New York. "There are 35 to 40 per cent too many beds in America," he says. "Hospital groups must get bigger to make sure they get business with eventually perhaps only three to five groups per large metropolitan area."

Overcapacity in other industries would quickly lead to price cuts. But this has only

## In sickness, or wealth

Daniel Green on mergers and cost cutting in US healthcare



just begun to happen in healthcare where prices allow hospitals to make a profit with only 40 per cent of beds occupied. Pressures for mergers date from the 1980s when employers began to drive to cut the cost of healthcare insurance for their employees. It started on the west coast, with employers contracting with "health management organisations" (HMOs) to negotiate cost-cutting deals with doctors and hospitals.

The success of this "managed care" in controlling costs soon attracted the attention of the health insurers, who adopted a similar approach.

In some parts of the US, managed care has had a dramatic effect on costs. In Minnesota, about one third of the population is now treated under managed health programmes. Largely as a consequence, the city of Minneapolis-St Paul in Minnesota has lost more than 40 per cent of its hospital beds over a decade.

In more conservative eastern regions such as New York and North Carolina, managed care reaches only between 5 and 15 per cent of people. As a result, the number of hospital beds in, for example, New York has fallen by less than 5 per cent in the last 10 years.

This feeds directly through to costs. The annual per capita cost of healthcare in California is now around \$1,900 compared with \$2,200 in New York, according to Boston Consulting.

Managed care changes the nature of competition between hospitals, says Mr George Halvorsen, former chief executive of Minnesota HMO HealthPartners. Rival hospitals used to compete to buy the latest high-technology services and eminent doctors. This encouraged them to perform as many treatments as possible to cover the costs.

Companies such as Columbia try to eliminate duplication of overheads and services in nearby hospitals. Mr Richard Scott, the chief executive officer, estimates annual savings of \$125m from the latest merger alone.

Large hospital groups can also make use of their increased buying power. Even before yesterday's deal, Columbia/HCA's renegotiation of supply contracts had yielded savings of \$60m a year.

Doctors' practices are also merging to cut duplication and increase buying power. Wall Street private investment firm

Welsh, Carson, Anderson and Stowe is one of several groups that acquire doctors' practices and merge them.

As well as bringing economies of scale, mergers help in controlling the costs of treatment. Large groups can build up statistical databases on doctors' prescribing and referral habits. Doctors who require significantly more overnight hospital stays for their patients than average, or who prescribe too many expensive drugs, are asked to change their habits.

"We want to see fewer days of hospital stay per thousand of population," says Mr James Hoover, a partner in the firm.

Among the victims of these changes are hospital doctors whose fees are being closely scrutinised along with other costs. Bellevue hospital in New York, for example, this summer signed a deal with the Prudential insurance company to do between 100 and 150 heart bypass operations a year on the insurer's policy holders. Prudential is paying a flat fee of less than \$35,000 per operation instead of being billed the sum of fees from staff and materials that would typically be twice as high. The doctors at Bellevue receive a proportion of the fees earned, less per operation than when they billed for services.

This flat-rate fee system can be extended to cover all medical needs. For a flat fee per head, called a capitation payment, a hospital agrees to look after all the hospital needs of a group of people.

One example of this approach is the agreement made in July by a Florida-based health management organisation, Physicians Corporation of America, with the Los Angeles-based hospital company Salick Health Care. In return for an annual per capita fee, the 319,000 members of PCA's schemes receive comprehensive cancer coverage.

It is now in Salick's interest not to treat people unnecessarily and to introduce preventive healthcare to cut the proportion of members likely to suffer from cancer.

The use of capitation fees to pay for healthcare is growing throughout the advanced economies. The UK government for example, allocates resources to the National Health Service largely on a per capita basis.

The trend towards payment for healthcare through capitation fees is likely to continue in the US, forcing further moves to save costs in the industry. With it, the wave of mergers and acquisitions looks set to continue.



## Echoes of Tory voices

Joe Rogaly

The attractive face of conservatism was presented at the Labour conference in Blackpool this week. We may see its unattractive face on display at the Tory conference in Bournemouth next week. This has nothing to do with personalities. Mr John Major is no less decent than Mr Tony Blair, but, as to policy, the prime minister is constrained by circumstance. He has little choice but to trundle along the ideological tram-lines set in the later 1980s. The leader of the opposition is free to try to tug his party towards the gentler form of conservatism that better suits the English temperament.

He calls it socialism, but its values have often been prescribed by Tories from Disraeli onwards. My primary text today is therefore not the stunning speech delivered by Mr Blair on Tuesday, evocative as that may be. It is, rather, *The Right Approach*, a statement of Conservative aims agreed in 1976 by a coalition representative of all wings of the party, with the "wets", as they were called, predominant. The resulting document constituted the intellectual inheritance of the then Mrs Margaret Thatcher, a new, young, energetic leader of the opposition. "It is the task of the Conservative party today to restore hope and confidence to a disillusioned British people," the authors began, nearly two decades before Mr Blair's "we meet in a spirit of hope".

Some readers may remember the 1976 paper as an assertion of right-wing hard-headedness, and a rejection of the corporatism of the later Heath years. It does not read like that today. It notes that Tories "are not blinkered by a socialist ideology that assumes the omniscience of the state...".

Mr Blair might make on behalf of "new Labour". More helpfully for my thesis, *The Right Approach* states that "man is both an individual and a social being". If all society had to do was provide a framework of laws within which individual opportunities could flourish, the paper acknowledged, then other things in which Conservatives believed - patriotism, loyalty, duty - would be meaningless.

The corollary is clear. "Man is an individual, answerable to himself," as our pre-feminist authors put it. "But he is also a citizen, the member of a complex network of small communities which go to make up society - family, neighbourhood, church, voluntary organisation, workplace and so on." There you have it. The essence of *The Right Approach* is compatible with what Mr Blair had to say on Tuesday. "It is not this or that minister that is to blame," he told the Labour conference, "it is an entire set of political values that is wrong. They fail because they fail to understand that a nation, like a community, must work together in order for individuals within it to succeed."

Zip back to 1976. "What we have to set out, and it is in the main stream of Conservatism...," our social Tories wrote, "is a political philosophy that goes beyond the state and the individual, and begins to express in human terms the complex network of reciprocal rights and duties in an orderly society." I do not propose to

stretch this piece of elastic further than it can stand. *The Right Approach* is echoed by Mr Blair in many places, including the passage in which it calls for devolution of legislative powers to Scotland, but much of it is dated, suitable to the preoccupations of the 1970s. Large chunks of it would stick in the gullet of even the most modernist Labour leader. The point, described by Mr Blair as "fundamental", is that today's Conservative ministry has trapped itself on the shores of free-market minimalism, which is not where the electorate could have imagined it was heading when it fled from socialism and trade union thuggery in 1979 and not where it wants to be stranded today.

Some voters may have been influenced by a second Tory paper. *The Right Approach to the Economy*, which was prepared under the chairmanship of the then Sir Geoffrey Howe, is sharper, less "wet" than its predecessor of the similar name, but its principal begueter, now Lord Howe, might not wholly disagree with my theme. "No turning back," he has said, referring to the Conservative hard-right, "should not be mistaken for bash on regardless." He will doubtless repeat the sentiment at next week's conference in Bournemouth.

The way Mr Blair sees it, we are at a turning point in political history, just as we were in 1979. The party that took office then may have won the three subsequent elections, but the adventure upon which it led the nation has run its course. His story-line is that we are now ready for a different

administration, whose social and political strategies are based on the proposition that the individual and the community are mutually supportive. There has to be a "constructive voluntary partnership" between government and industry. Gosh! Sorry. Took that last sentence from *The Right Approach*, not Mr Blair, but either will do.

If there are doubts, they lie not in the nuances of philosophy, but in the pitfalls that await anyone who has to learn on the job. Mr Blair has been leader for less than 90 days, so judgments of his managerial abilities must be premature. He and his team are adept at the media, and he appears to have cemented a useful working relationship with his deputy, Mr John Prescott. It is not, however, clear that he has found time to soothe the sensibilities of all his senior colleagues; perhaps, as Labour's last best hope, he has no need to.

His assistants and advisers are untested in battle. Many of them are outstandingly intelligent, bright and very young. As head of policy, the 29-year-old Mr David Miliband will be in charge of an apparently more formidable team than any available to previous Labour leaders of the opposition. Most of its members, like others in the Blair entourage, are 20-somethings or just-turned 30s. These cherubim will have to produce the Labour version of *The Right Approach*. They will be expected to outplay Mr Major's policy unit, headed by Mrs Sarah Hogg, plus half Conservative central office and an army of civil servants whose advice is never party-political but always helpful. Yet the young are powered by optimism. It is the Tories who have to explain why, having been in office so long, they should be given another lease.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 0171 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Keep ageing hippies in their place

From Mr Daniel Riff.

Sir, As a native New Englander who has favoured yours over American financial papers, I was horrified to find an incident of grievous geographic neglect. Someone had reversed the labels of New Hampshire and Vermont on the illustration accompanying the article "Sainsbury makes a second US foray" (October 4). This may seem a minor gaffe, or even irrelevant. I would argue otherwise. Having been raised in the right-hand state, the one that stands upright and has consistently exhibited sound rightward-leaning, market-minded thinking, I cannot ignore such a blunder.

New Hampshire, on (and in) the right in these so many ways, is home to America's first primary every four years. In it reside some of the nation's most libertarian thinkers and entrepreneurs. To its left, in Vermont, dwell ageing hippies and such environmentally conscious companies as Ben & Jerry's ice cream. It is quite likely that Vermonters read neither your paper, nor much of anything that displays support of free markets. Their single representative is the Congress's sole avowed socialist. Disparagement towards them, both in your geographic sleight and my own, sweeping, critiques are deserved. If only the other victim were not my dear and beloved home. Daniel Riff, Integral Inc, One Brattle Square, Cambridge, MA 02138, US

### Words should not obstruct change

From Ms Ann Robinson.

Sir, So Michael Holman feels patronised by what he calls the language of medical correctness ("Save me from HealthSpeak, October 1). Perhaps he can appreciate something of how people with cerebral palsy feel when they are derided as spastic, a word which has become a term of abuse since The Spastics Society was founded in 1962.

He may want to laugh when he hears we are changing our name to Scope, and wonders why we didn't choose the more descriptive "Cerebral Palsy Society". However, we should point out that the demand for change, and the new name,

came not from public relations people, but from people with cp and their families.

The trouble with very descriptive names is that they are also very limiting. We agree with Michael Holman that you cannot change reality merely by changing words. However, the word "spastic" in our name stops people coming to us for support, particularly young families. We want to help change reality for disabled people and we do not want words to get in the way. Ms Ann Robinson, chief executive, The Spastics Society, 12 Park Crescent, London W1N 4EQ

### More in the waiting than in the expectation

From Mr Charles Buchet.

Sir, Two items appearing in the FT on Crédit Lyonnais' announcement of "bad results" translate *attendre* as "to wait for" ("Crédit Lyonnais goes to the people" and "Observer: The laughing bank", September 30). Although this may be the meaning that first comes to mind, context leads to a different understanding. The verb *attendre* also means "to expect", eg "*Je vous attends à neuf heures*" is "I'll be expecting you at nine". In fact, there is no other way to say "to expect", except by using the same word in the more cumbersome reflexive *s'attendre*. This would have produced the

somewhat leaden headline: "*Voici les mauvais résultats auxquels tout le monde s'attend*" rather than the headline cited from *Le Monde* of "*Voici les mauvais résultats que tout le monde attendait*".

No wonder the latest public relations effort by Crédit Lyonnais raised a hoot from Observer. I think you will agree, however, that "Here are the bad results which everyone has been expecting" does not have the same piquant.

Charles Buchet, head of corporate finance, Union Industrielle de Crédit, 8 rue Lamennais, 75008 Paris, France

### No sense in provision

From Dominique de la Barre d'Erquelinnes.

Sir, Surely the suggestion that banks should automatically make provision for new loans being granted does not make sense ("Plan to smooth bank profits endorsed by top supervisor", October 1). Banks should either require increased margins or, if that proved impossible for market reasons, quit lending altogether until reduced supply pushes margins up again. Automatic provisions would merely be an acknowledgement of the inability of banks to price credit risk correctly. Dominique de la Barre d'Erquelinnes, 18 rue Capécia, L-5814 Fentange, G-D de Luxembourg

### Prototype

From Mr Richard Guy.

Sir, I refer to your article, "Patchy start seen to training plan" (October 3).

This year there is only a small number of prototype modern apprenticeship schemes, and they are not behind schedule at all.

Indeed, our greatest problem this year is that many employers and young people are expressing great interest, but training and enterprise councils only have funding for a small number of places in the prototype sectors.

Next year will see the national launch of modern apprenticeships across the country and in a large number of sectors. Richard Guy, chairman, The National Council Modern Apprenticeship Working Group, Manchester Ttr, Boulton House, 17-21 Chorlton Street, Manchester M1 3HY

### No plunge

From Mr Brian Yates.

Sir, Subscriptions to Which magazine have hardly "plunged", as you claim in your profile of the newly-appointed director of Consumers' Association, Sheila McKechnie ("Consumers' champion to leave her shelter", September 21).

Current subscriptions stand at 684,000, calculated on the moving average basis - the equivalent figure on the same basis in March 1988 would have been 654,000.

Brian Yates, chairman, Consumers' Association, 2 Marylebone Road, London NW1 4DF

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## FINANCIAL TIMES

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Friday October 7 1994

## Russia at a crossroads

Russia has reached the limits of gradualism. For nine months, Prime Minister Victor Chernomyrdin and his colleagues have done their best to find a middle way between economic "shock therapy" and no treatment at all. But the lesson of transition elsewhere is that, in the long term, there is no middle way - only a choice between a Big Bang stabilisation and social and economic collapse. Unfortunately, there is nothing inevitable about Russia taking the route of stabilisation. The west may be able to weight the odds in favour of that option, but ultimately only Russia can decide.

Other post communist states - Hungary, Poland, the Czech Republic - have already passed this turning point. But in Russia, the institutions of a civil and market society remain precarious. Privatisation, one of the success stories of the past two years, has helped to produce a new entrepreneurial spirit in many sectors of the economy. But without stabilisation and concerted legal reform, the zeal for profit will be more visible in fraud and organised crime than in the rise of a legitimate private sector.

Political forces have conspired against a more concerted reform strategy. The centres of power of the old order are badly damaged, but can still command large constituencies. Increasingly, Mr Yeltsin himself seems to be leaning towards the more conservative of his advisers, who are ambivalent about reform where they are not downright hostile.

## Difficult truth

The difficult truth is that the government's very lack of credibility doomed the gradualist approach from the start. Enterprises have not stopped borrowing excessively, because they do not expect inflation to stay low. In an effort to choke such borrowing off, the monetary authorities have had to impose exceptionally high real rates of interest, which, in turn, trigger more distress borrowing. As a result, the economy now teeters on a mountain of inter-enterprise debt. Even previously viable companies are likely to get sucked into the web, as long as they believe the government will eventually give in to the demands of indebted competitors.

And over the past few months,

## Free the Post Office

It speaks volumes for the vanishing ideological divide in British politics that the foremost policy difference between the main parties appears to be the issue of privatising the Post Office. Yet if the postal service is to be a final triumph for state industrial ownership in the UK, it cannot continue in its current form.

For all Mr Tony Blair's resolution to ditch the Labour party's notorious constitutional commitment to public ownership, Labour is set to fight the privatisation of the Post Office tooth and nail. Its stance is nonsensical since all the supposed benefits of state ownership - such as universal service and a single stamp price across the country - could be secured through regulation, while consumers stand to gain from the greater efficiency and entrepreneurial zeal likely to flow from selling a majority stake in the Post Office to the private sector.

Yet Labour's success in whipping up popular sentiment against postal privatisation appears to be alarming enough Tony Blair to cause the government to pause. If the cabinet feels forced by political pressure to retreat, it should not be content with preserving the status quo. Instead it should take Labour at its word and propose legislation restructuring the Post Office to give it maximum commercial freedom within the public sector. Unless it does so, Britain's highly successful postal service will be handicapped as it seeks to expand into new technologies and confront international competition.

## Listed company

Such a policy would turn the Post Office into a stock market listed company in which the state owned, say, 80 per cent of the shares, and exercised only the customary rights of a shareholder to agree broad strategy, approve directors and receive dividends. It would involve taking on the Treasury theologians who claim that no state-owned industry should be excluded from the public sector borrowing requirement and be treated as a normal company free from detailed Treasury control over budgets and borrowing.

The Treasury justifies its stance by citing rules on the compilation

of the government has begun to do precisely that. There has been a relaxation of monetary controls, and renewed flows of credits to state enterprises. The upshot is the weakening of the rouble, which fell 20 per cent last month, itself a harbinger of renewed inflation. It is still falling: a further 5 per cent on Wednesday alone.

How should the west respond? Whatever their differences, the IMF and all the Group of Seven countries must tell Russia that now is the time to make the decisive leap, and back up the advice with a firm offer of financial support if they do so. In Madrid this week, US Treasury Secretary Lloyd Bentsen reiterated what he told Mr Yeltsin during his visit to Washington last month: that very large sums of aid were available quickly, but "only to support reform".

## Active restructuring

This means that, to obtain cash flows of up to \$10bn from the international financial institutions this year, the Russian government must commit itself to a further round of credit cuts and much more active industrial and social restructuring than it has so far attempted. In the process it will have to tread heavily on interests which have so far been shaken, but not deeply stirred.

Central to such a strategy will be stable prices. For all their political attractions, half measures simply cannot deliver stability in the long run. As Russian ministers know, gradualism allows them to ease their present burdens, but this only piles up the weight on future ones. Sooner or later, they would have to demand the kind of sacrifices from their people which they have not so far had to make.

The better alternative is to make the commitment, now, to a fixed exchange rate, backed by a sizeable western stabilisation fund and adequate non-inflationary finance to cover the budget for at least a year or two.

Above all, it is critical that the US and other western countries are true to their word: the fact that Russia has missed past reform opportunities owes something to western ambivalence. Before the west can help, however, the Russian government must make a leap of faith.

of the public accounts, and by arguing that a public sector company could not, in practice, be allowed to float free while the government acted as ultimate guarantor for its debts.

Both the rules and the argument about debt are well-founded as a general approach to state ownership. However, there are good reasons for relaxing them in the case of the Post Office, which has long operated as a profitable business. If the Post Office were a listed company forbidden by its founding statute from receiving state aid, it would in practice be subject to normal market disciplines and its borrowings could be excluded from the public accounts.

## Market discipline

The sale of a minority stake would be sufficient to ensure market discipline, while the creation of an equity base would leave the company free to contract business alliances and provide market incentives for its managers and employees. In extremis, of course, the government might seek to amend the law to provide aid, but there is nothing to stop it doing so in the case of any private sector company.

Two key issues would still remain: regulation and competition. Essential to a new regime would be the establishment of a regulator operating at arm's length from the Department of Trade and Industry, akin to the existing privatised utility regulators. The regulator, not the government, would determine stamp prices and rates of return for the Post Office, subject to statutory requirements to protect universal service and other socially desirable objectives. On competition, there is a strong case for a gradual lowering of the existing ban on rival delivery of mail stamped at below £1 an item. This would encourage more specialised delivery services catering for the business and high-value residential market without endangering the Royal Mail.

Sweden - where the post office remains in the public sector - has gone further, exposing basic letter delivery to full competition. That is an example which the UK would do well to study, and if it works, follow.

It has not been a particularly happy 50th birthday for the International Monetary Fund and the World Bank. But 50th birthdays are often unhappy. By that age, people have built up, along with a record of achievements, a list of disappointments and mistakes. The attitudes and knowledge acquired in their youth have often become outmoded. Usually, they have made enemies as well.

So it is for the twins born at the Bretton Woods conference in July 1944. For all the show at their annual meetings in Madrid this week, these are troubled giants. They have a host of enemies and many friends do not like them much either. This is not just a natural time to take stock. It is essential for these institutions to do so.

The brilliantly achieved aim of the Bretton Woods conference was to re-establish a global market economy. But it was to be a guided capitalism. The assumption - particularly on the part of the British delegation, headed by the economist Lord Keynes - was that there would be no return to a world of free capital flows and "hot money". Finance was to be kept in chains.

Thus, the articles of the IMF required that currencies be convertible only on current account (to pay for goods and services). Governments could retain controls on capital movements, to enable them to maintain fixed exchange rates while pursuing policies for full employment. The IMF was to underpin this combination. Similarly, the World Bank was created to finance post-war reconstruction and economic development, because the private capital flows that had financed growth in the late-19th century, would, it was believed, should not return.

In the light of the Great Depression and contemporary advances in economic thought, these were reasonable assumptions. But they were undermined by history. The IMF lost its envisaged function with the collapse of the fixed exchange rate system in its early 1970s, largely caused by the impossibility of combining pursuit of full employment with fixed exchange rates, once capital flows were allowed free.

Since then the fund has increasingly become the macro-economic policeman of the more fallible developing countries, encouraging them to change economic policy when in balance of payments difficulties. Under three entrepreneurial managing directors, it also found a wider role in co-ordinating international responses to the oil crises of the 1970s, the debt crisis of the 1980s, and Soviet communism's collapse.

Similarly, the World Bank has been elbowing aside by surging private capital flows, after the long hiatus of the debt crisis. Regional development banks have also taken over some of its work, notably in Asia and Latin America.

In 1993, the net external financing of developing countries was \$170bn (see table). But the net disbursements of the International Bank for Reconstruction and Development, commercial arm of the World Bank, were a mere \$2.3bn in the financial year ending June 1993 and negative, at minus \$0.7bn, the following year. Even so, lending from the International Development Association was only \$4.5bn (net) in financial year 1993 and \$5.1bn the next year. The bank has become a marginal provider of development finance.

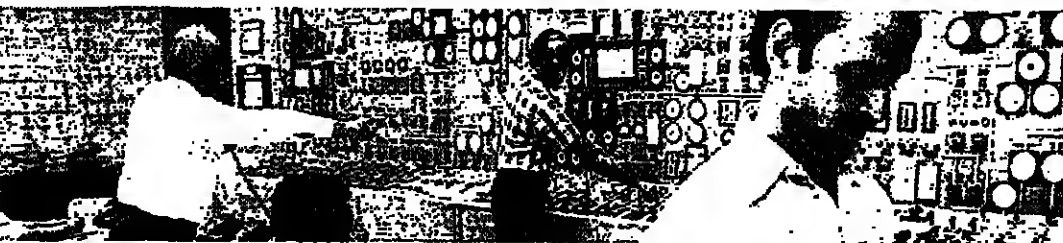
These profound changes in the global environment have hardly gone unnoticed. Senior managers of the World Bank are engaged in a vigorous debate over whether theirs is a "sunrise" or a "sunset" institution. The IMF, too, is debating its future, if rather more circumspectly. Yet the explosion of global financial activity, albeit the most important, is far from the only development with which the two institutions have to grapple. There are at least six more.

The first is the end of the cold war. The institutions now have some 20 new clients engaged in making the transformation from planned economies to the free market. However, they can also no longer count for support on the tendency that led to the third-world debt crisis; they failed to foresee the en-

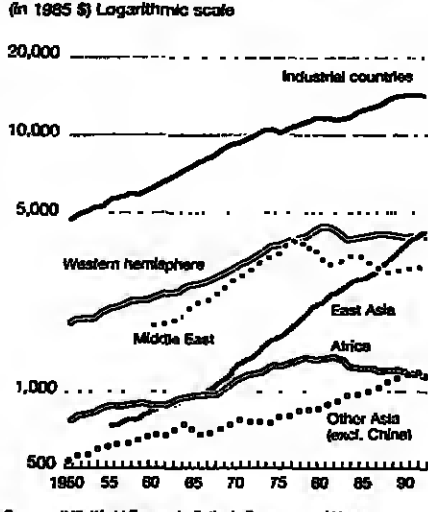
The fundamental task of the World Bank and IMF is to do themselves out of a job, argues Martin Wolf. But they have much to do

## Bretton twins at an awkward age

## Performance and finance in developing countries



Real GDP per head (in 1985 \$) Logarithmic scale



External financing (\$bn)

	1986	87	88	89	90	91	92	93
Official transfers	73.6	65.7	62.0	65.5	65.1	66.6	129.9	170.2
Non-debt creating flows								
Official transfers	13.2	15.1	16.2	16.5	13.0	-8.3	19.6	21.2
Direct investment	8.8	13.6	16.2	15.9	18.3	20.2	-0.2	59.7
Reserve-related facilities of which:								
Net credit from IMF	-2.2	-4.7	-4.1	-1.5	-1.9	1.1	-0.2	1.0
Net external borrowing	62.3	39.8	33.1	33.7	57.1	74.5	71.1	87.0
IDA*	5.7	3.4	1.9	5.7	2.1	1.8	2.3	-0.7
IDA**	2.8	5.2	3.4	3.7	4.3	4.4	4.6	5.1

Sources: IMF, World Economic Outlook; Summary and Heston

Sources: World Economic Outlook; World Bank

competition with the former Soviet Union.

The second is changes in what the main shareholders demand. The IMF has recently come under formidable pressure to relax conditionality - the imposition of economic policies in return for finance - for some borrowers, notably Russia. The pressure on the World Bank is rather to adopt quotas for increased lending to social sectors. Both institutions, but particularly the World Bank, are also being told to become more cost-effective.

The third is the development record. A friendly critic would conclude from the chart that development has worked, above all in east Asia. An informed critic would

know that these countries have best conformed to the "Washington consensus" of fiscal conservatism, outward-orientation and reliance on market forces.

Those on the anti-market left argue, instead, that the twin institutions bear most blame for what has gone wrong in Latin America, the Middle East and Africa. Meanwhile, critics on the market-liberal right conclude, more plausibly, that since they have been associated with failures as much as with success, the Bretton Woods twins cannot make a decisive difference.

The fourth issue is the record of the institutions. Their prestige depends on the perception that they know what they are doing, but they have made big blunders. They encouraged much of the lending that led to the third-world debt crisis; they failed to foresee the en-

gineering collapse of the mid-1980s; they have supported incompetent and corrupt regimes; the World Bank ignored the environment for too long, while some of its project lending proved misguided; and many countries helped by the IMF have returned to its trough again and again.

The fifth is ideological changes. Leftist hostility to the market economy has become venomously focused on the Bretton Woods institutions. The left's commitment to more participation also creates a profound suspicion of governmental structures, shared by the market-oriented right, with its demand for reliance on markets. So now the left is pursuing its "50 years is enough campaign", while Lady Thatcher's former economic adviser, Sir Alan Walters, argues that "the ideal solution would be to abolish the Fund and the Bank".

The last is the questioning of the institutions' professional competence. Professor Jeffrey Sachs of Harvard University, for example, argues the IMF's approach to stabilisation in eastern Europe and the former Soviet Union has been inappropriate, because it fails to understand the economic consequences of the state's political bankruptcy.

How can these institutions best respond to the many challenges they confront? The central necessity is to define and defend their core tasks in ways that respond to justified demands and resist unjustified ones. In addition, the IMF has a useful role to play in industrial countries and, as important, is accustomed to imposing relatively tough conditionality. The customary criticism is that it is too tough. But critics fail to realise that its clients would have to make still more savage cuts in spending without it. Beggars have few choices.

Being mainly restricted to the worst-managed developing countries is a painfully circumscribed role for the IMF. Many argue, instead, that it should play a cen-

tral role in the formal management of exchange rates. The Independent Bretton Woods Commission - under the leadership of Paul Volcker, former chairman of the Federal Reserve - has recommended that "the governments of the major industrial countries should give a high priority to international monetary reforms aimed at reducing large exchange rate fluctuations and serious misalignments".

If the IMF were to calculate target zones for exchange rates, it would gain a more central role in the world monetary system than ever before. But the IMF's major shareholders are unlikely to agree to this, as Mr Lloyd Bentsen, US secretary of the Treasury, indicated in Monday's FT.

Today, the IMF's managing director attends discussions of the Group of Seven leading industrial countries, but has no voice in decisions on exchange rates. That is how things are likely to remain. For the foreseeable future, the IMF's relations with major industrial countries will depend on its surveillance discussions with countries, whose effectiveness is questioned even among the staff. While the Fund might yet be needed to help with public debt crises in industrial countries, that would indicate serious policy failures.

For the World Bank as well, longer-term prospects are not all that bright. The fear within it is that leveling wide areas from stagnation to outright decline, as its clientele is gradually restricted to south Asia and Africa. Just as the IMF hopes for a role in exchange-rate co-ordination, some in the bank dream of a consultative role in countries that do not need its funds. But that would be a remarkable departure for an organisation that has depended on mixing subsidised finance with its recommendations.

How well are the IMF and bank set up to do their core jobs? In the IMF's case, questions about the quality of its advice are legitimate. Arguments for greater transparency and wider use of outside economists are strong. More important is a sharper focus on the underlying disease, which lies almost always in the functioning of the state.

For its part, the World Bank has published a list of the six principles it has derived from its experience - selectivity, partnership, client orientation, results orientation, cost effectiveness and financial integrity. It also defines its objectives as the pursuit of economic reforms that promote broad-based growth and reduce poverty, investment in people, protection of the environment, stimulation of the private sector and reorientation of governments on the tasks only they can do. Finally, it is undertaking a re-engineering of its internal management processes, to make itself more efficient, more responsive and more flexible. Yet the goals hardly look selective and the six principles are little short of banal. As for the managerial changes, they will be difficult to achieve, however desirable.

The core functions of the Fund and World Bank are not, of course, their only ones. Both provide valuable analyses of global economic trends and undertake useful research and analysis. Both must also retain a flexible capacity to respond to unforeseen events. Nonetheless, the fundamental job of the Bretton Woods twins is to do themselves out of a job. How will they reach this goal? By insisting firmly on performance from those who depend upon them. "Tough love" is what they must provide. If they do so successfully, both provide a useful role in industrial countries and, as important, is accustomed to imposing relatively tough conditionality. The customary criticism is that it is too tough. But critics fail to realise that its clients would have to make still more savage cuts in spending without it. Beggars have few choices.

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For the World Bank as well, longer-term prospects are not all that bright. The fear within it is that leveling wide areas from stagnation to outright decline, as its clientele is gradually restricted to south Asia and Africa. Just as the IMF hopes for a role in exchange-rate co-ordination, some in the bank dream of a consultative role in countries that do not need its funds. But that would be a remarkable departure for an organisation that has depended on mixing subsidised finance with its recommendations.

How well are the IMF and bank set up to do their core jobs? In the IMF's case, questions about the quality of its advice are legitimate. Arguments for greater transparency and wider use of outside economists are strong. More important is a sharper focus on the underlying disease, which lies almost always in the functioning of the state.

For its part, the World Bank has published a list of the six principles it has derived from its experience - selectivity, partnership, client orientation, results orientation, cost effectiveness and financial integrity. It also defines its objectives as the pursuit of economic reforms that promote broad-based growth and reduce poverty, investment in people, protection of the environment, stimulation of the private sector and reorientation of governments on the tasks only they can do. Finally, it is undertaking a re-engineering of its internal management processes, to make itself more efficient, more responsive and more flexible. Yet the goals hardly look selective and the six principles are little short of banal. As for the managerial changes, they will be difficult to achieve, however desirable.

The core functions of the Fund and World Bank are not, of course, their only ones. Both provide valuable analyses of global economic trends and undertake useful research and analysis. Both must also retain a flexible capacity to respond to unforeseen events. Nonetheless, the fundamental job of the Bretton Woods twins is to do themselves out of a job. How will they reach this goal? By insisting firmly on performance from those who depend upon them. "Tough love" is what they must provide. If they do so successfully, both provide a useful role in industrial countries and, as important, is accustomed to imposing relatively tough conditionality. The customary criticism is that it is too tough. But critics fail to realise that its clients would have to make still more savage cuts in spending without it. Beggars have few choices.

Being mainly restricted to the worst-managed developing countries is a painfully circumscribed role for the IMF. Many argue, instead, that it should play a cen-

tral role in the formal management of exchange rates. The Independent Bretton Woods Commission - under the leadership of Paul Volcker, former chairman of the Federal Reserve - has recommended that "the governments of the major industrial countries should give a high priority to international monetary reforms aimed at reducing large exchange rate fluctuations and serious misalignments".

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**IN BRIEF**

**Allianz may buy  
into Britain**

Allianz Holding, the German insurance group, is casting around for further foreign acquisitions, and has a particular interest in the British life market. Page 20

**NYSE poised to name Grasso as chairman**  
The board of the New York Stock Exchange is expected to elect Mr Richard Grasso as its chairman to succeed Mr William Donaldson. Page 21

**Rumour spreads of Motorola bid for Apple**  
Bumours swept the US markets this week that Motorola, the communications and semiconductor group, might be preparing a takeover bid for Apple Computer, the personal computer manufacturer. Both companies declined to comment. Page 21

**Telecom Italia to run Pirelli Telecoms**  
Telecom Italia, Italy's state-controlled telephone company, is to take on the management of all national and international telecommunications services at Pirelli, the Italian industrial group. Page 20

**AEG predicts DM 90m in sales for battery**  
AEG, Daimler-Benz's electrical and electronics subsidiary, expects annual sales of DM90m (\$58.4m) from a new high-energy battery when it starts full production in 1998. It aims to secure a lead position in the market for electric cars. Page 20

**Brazil may impose capital controls**  
A senior Brazilian central bank official said the government may consider imposing capital controls in some circumstances, but ruled out Chilean-style restrictions on the exit of capital. Page 22

**Kmart warns of earnings fall**  
Shares in Kmart, the troubled US discount store group, fell 6% to \$15.75 in early trading after the company warned it expected a fall in earnings for its third quarter, ending in October. Page 21

**Recovery for South Korean petrochemicals**  
South Korean petrochemical companies are recovering from a prolonged slump due to increased demand abroad and the shutdown of several petrochemical plants around the world. Page 22

**Receivers seek equity for Carden Park**  
Receivers are looking for investors to inject fresh equity into Carden Park, the UK 1,200-acre hotel and leisure complex owned by Mr John Broom. Page 24

**Etam falls despite interim profits**  
Shares in Etam, the fashion retailer, fell as the group almost doubled interim profits but warned of a slightly weaker trend at the beginning of the second half. Shares fell 20p to close at 282p. Page 24

**FT Managed Funds Service**  
Starting on Monday, readers in Continental Europe will receive a more streamlined version of the FT's Managed Funds Service. The service will concentrate on offshore and overseas funds, and from Monday to Fridays will omit categories of fund which are of interest mainly to UK domestic investors. UK funds will still be listed once a week, in Saturday's FT.

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**Chief price changes yesterday**

FRANKFURT (DM)		PARIS (FF)	
Alcatel	618 + 13.5	BNP	247.5 + 8.4
Airbus	670 + 25	Carac	1075 + 30
Alcatel	618 + 13.5	Carac	1075 + 30
Alcatel	618 + 13.5	Carac	1075 + 30
Alcatel	618 + 13.5	Carac	1075 + 30
Alcatel	618 + 13.5	Carac	1075 + 30
Alcatel	618 + 13.5	Carac	1075 + 30
Alcatel	618 + 13.5	Carac	1075 + 30
Alcatel	618 + 13.5	Carac	1075 + 30
Alcatel	618 + 13.5	Carac	1075 + 30

New York prices at 12.30pm.

LONDON (Pence)		WALL STREET (Dollars)	
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28
Alcatel	424 + 7	Alcatel	65 + 28

**Salomon warns  
of \$100m loss  
in third quarter**

By Patrick Harverson  
in New York

Salomon announced yesterday that it would report an after-tax loss of about \$100m for the third quarter because of another poor performance from its Wall Street securities trading unit, Salomon Brothers. In the same quarter a year ago, the group earned a profit of \$30m.

It is the second consecutive quarter that Salomon has posted a big loss because of the sharp downturn in business conditions on Wall Street. Salomon, however, has always been more vulnerable than most securities firms to volatile swings in earnings because a large part of its business involves trading in the firm's own capital in the global financial markets.

It was this proprietary trading business which was once again primarily to blame for the losses in the quarter, Salomon said. Additionally, Salomon suffered during the latest quarter from a decline in demand from US companies for stock and underwriting services, a decline which has affected the rest of Wall Street.

The firm includes its revenues from securities underwriting in

the category of "client-driven" businesses, and this area was also hit in the third quarter by a fall in customer trading activity. Salomon pointed out, however, that its "client-driven" business still performed better than in the second quarter, when a sharp drop in the value of securities Salomon Brothers holds on its books as inventory left the group nursing a loss of \$304m.

Although second-quarter losses were partially offset by profits from Salomon's Philbro oil trading unit, in the latest quarter the unit's performance deteriorated, and Salomon said Philbro would report a "modest" pre-tax loss for the July-September period.

The warning about its poor results from Salomon provide a taste of what to expect in the coming weeks, when other publicly quoted Wall Street firms release their third-quarter earnings. Profits have plunged since February, when the first of five interest rate increases by the Federal Reserve prompted a sharp downturn in trading conditions, both in US and overseas financial markets.

Soon after Salomon made its announcement yesterday, its shares were down 4% at \$38.

**BMW to sell Rover-built  
cars in North America**

By John Griffiths in London

Rover-produced cars will return to the North American market despite the sales failure of its Sterling-badged cars at the end of the 1990s, the chairman of BMW, Rover's parent company, said yesterday.

Rover Group products, rather than BMW's, will also lead the German-owned company's drive into Asian markets such as China, where explosive growth is forecast over the coming decade, according to Mr Bernd Pischetsrieder.

In his first wide-ranging assessment of Rover since BMW acquired the company from British Aerospace for \$500m in January, Mr Pischetsrieder also:

- Held out the prospect of tripartite co-operation between BMW, Rover and Honda - Rover's close associate under BAE ownership - wherever in the world joint projects were felt to be of mutual benefit.
- Made clear that BMW saw no

upper limits on car production by Rover or any reason why Rover-designed products should not be produced at plants overseas.

● Confirmed that BMW was serious in its intent to revive names from the past such as Riley and Austin-Healey, for products developed for appropriate niches.

● Indicated that there was virtually no chance of BMW reviving past negotiations to buy Rolls-Royce Motor Cars, the Vickers-owned luxury carmaker. Mr Pischetsrieder set out no time scale or product plans for Rover cars to return to North America. The group has made a success of its Land Rover four-wheel-drive operations there.

Mr Pischetsrieder also gave no details of BMW's precise strategy for Asia. However, Rover, with its smaller models and front-wheel-drive technology was an obvious choice for such markets, he declared.

He made clear that past tensions with Honda over Rover's takeover had now disappeared.

**Union Pacific blocks line to Burlington Northern-Santa Fe merger**

**Friendly  
union of  
rivals off  
the rails**

By Richard Tomkins in New York

The boards of two large US railway companies were yesterday meeting to decide how to fend off a surprise attack on their plan to create by far the country's biggest rail network.

At the end of June, Burlington Northern and Santa Fe Pacific, two of the four big railway networks on the western side of the US, announced that they planned to merge through a friendly takeover of Santa Fe by Burlington. The all-share offer puts a value of \$2.47bn on Santa Fe.

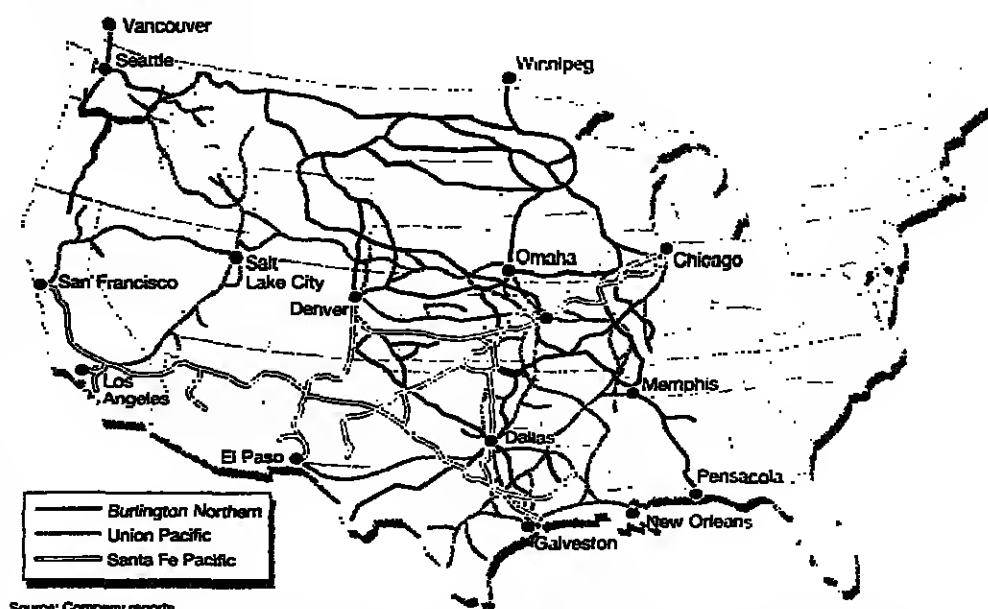
Santa Fe's shareholders had been due to vote on the proposal next month. But late on Wednesday night, Union Pacific, another of the four biggest railway companies west of the Mississippi, unexpectedly launched a hostile bid for Santa Fe with a higher all-share offer, worth \$3.23bn.

The immediate question posed by the Union Pacific bid is whether it is a serious offer or simply a disruptive tactic aimed at scuppering a friendly merger between two of its biggest rivals.

The price that Union Pacific has put on its offer is an obvious temptation to Santa Fe's shareholders. But they will have to consider the strong possibility that a merger between Union Pacific and Santa Fe would be rejected by the federal government on anti-trust grounds.

A precedent was set 10 years ago when Santa Fe took over

All points west



Source: Company reports

Southern Pacific, the other big railway company west of the Mississippi. Long after the merger had been completed, the Interstate Commerce Commission, the federal authority that regulates the railway industry, ruled that it was uncompetitive and ordered it to be unbundled.

Burlington and Santa Fe have argued, with some justification, that their merger will not be anti-competitive because there are relatively few instances where their routes compete in parallel with one another. They describe it as an end-to-end merger of two complementary networks.

Union Pacific may find itself on shakier ground with the competition authorities because its prime routes overlap with those of Santa Fe. Implicitly acknowledging the likely criticisms, it said it would guarantee open access on

the merged company's routes to Burlington. Southern Pacific or any other railway companies.

Undoubtedly, the Union Pacific bid will be disruptive. It could wreck the Burlington offer by causing shareholders to demand a price that Burlington is not prepared to pay. At the very least, it will complicate the Interstate Commerce Commission's investigation of the deal - a process that can take up to 30 months.

Union Pacific, however, insisted that its offer was serious. It said the merger it was proposing would be better for Santa Fe's shareholders and bring more customer benefits than a merger with Burlington.

Santa Fe was silent ahead of yesterday's board meeting, but Burlington attacked the Union Pacific bid. "Our merger with Santa Fe was a direct response to

the dominant position that Union Pacific has in the west," it said. "Union Pacific must understand that our end-to-end merger enhances competition. This is a case of Union Pacific using its market power to become even more dominant at the public's expense."

Whatever the outcome of the bid battle, the fact that two railway companies are fighting to acquire a third will emphasise how much the fortunes of the US railway industry have changed in the last few years. Once losing almost to the point of bankruptcy, US freight railways are now enjoying a surge in profitability because of cost-cutting and increases in productivity that following deregulation in 1980. Suddenly, it seems, railways are hot properties again. Lex, Page 18

**Allianz looks at UK for expansion**

By Christopher Parkes  
in Frankfurt

Allianz Holding, the German insurance group, is casting around for further foreign acquisitions, and has a particular interest in the British life market, according to Mr Henning Schulte-Noelle, chairman.

The group, which last week announced the purchase for more than \$500m of most of Swiss Re's Swiss Re's direct insurance interests - the biggest acquisition in its history - saw possibilities for expansion in Asia and central and eastern Europe. Its aim was to strengthen Allianz where the scale and breadth of its business were insufficient to ensure competitiveness, growth and stable earnings, Mr

Schulte-Noelle said yesterday. The opportunity to buy Swiss Re's 60 per cent stake in Elvia, Switzerland's fifth-largest insurer, had taken Allianz by surprise, but gave it a unique chance to improve its position in the Swiss market, he added. Switzerland had been an especially weak spot in the group's make-up, and before its purchase of 50 per cent in Berner Holding, announced in June, it had a market share of 1 per cent.

Mr Schulte-Noelle yesterday reassured shareholders at the annual meeting that Elvia, plus Lloyd Adriatico and Vereinte - majority stakes which will also pass to Allianz - were profitable. Swiss Re's losses on direct insurance stemmed mostly from its Spanish subsidiary, he said.

Cornhill, the group's main UK business, increased its premium income almost 9 per cent to DM1.4bn (\$900m) in the first half, and expected to improve annual earnings.

Growth in group-wide premium income slowed in the period to the end of June, rising 6.3 per cent to DM8.4bn. However, because the number of claims had eased, 3.3 per cent, and administration costs had been cut, shareholders could expect an unchanged DM15 dividend for 1994 as long as there were no natural catastrophes or other "spectacular claims".

Storms in Germany this year had cost the group DM70m. Allianz AG, the parent company, had also paid out DM45m following the California earthquake.

North and South American profits were under pressure from rising interest rates, although premium income rose more than 9 per cent in the local currency.

About half US turnover came from life insurance operations, which had increased their premium income 15 per cent in the first half.

Growth in Europe had been dampened by unfavourable exchange rates. Although non-German premium turnover rose 4.6 per cent in local currencies, it fell on conversion.

French operations had suffered a fall in premium income. Cost reductions and restructuring had improved results, but French interests were not expected to return to profit before 1995. Lex, Page 18

**Impressed, but do they want to buy the company?**

**UK food brands  
fail to whet the  
investor's appetite**

Why make do with just a cup of Tetley's tea or just a dab of Colman's mustard? If you really like the products, you can buy their makers. They are but two of the UK food manufacturers officially for sale, and many more businesses could be bought if the right offers were made to their increasingly reluctant parents.

Northern Foods, Unigate, Hillsdown Holdings, Albert Fisher, Dalgety, Grand Metropolitan and Unilever are some of the companies the City believes would entertain offers for selective subsidiaries.

The last time the industry saw so many assets on the block was in the late 1990s. Most deals then were driven by ambitious investors getting into food manufacturing. It was seen as a growth area protected by strong brands and highly processed foods.

This time the pressure is on the sell side. Some companies such as Allied Domecq, seller of Tetley and the rest of its food activities, and Reckitt & Colman, seller of the spongy mustard plus the rest of its UK food and drink lines, have decided to re-deploy their capital in spirits and household cleaners respectively.

The sellers also include companies, still committed to food, which are disposing of some brands to focus their food portfolio more sharply. Dalgety, for example, is making food a solely UK business while pushing its international ambitions in food ingredients and petfoods.

The trading environment is making food manufacturers reconsider their strategies. "A number of companies are finding it too hot to stay in," says Mr Ian Davis, a director of McKinsey, the management consultants. Food price deflation, increasing competition from supermarket own-label products and price-conscious consumers have combined to shred manufacturers' profit margins. Crisps, baked beans and bread are just three products where prices have been driven

down to uneconomic levels. Each manufacturer has its own *nécessaire*. For Associated British Foods, the largest UK baker, it is the supermarkets. "Supermarkets' own labels leave us branded fellows adrift," says Mr Garry Weston, ABF's chairman. He is now more interested in food ingredients than food, and preferably outside the UK. To that end, ABF bought its first US manufacturing plants this week.

Not all products are similarly afflicted. Some such as prepared sauces are fast growing. Strong niche sectors such as mustard are too small to attract an own-label onslaught. On the downside, though, packaged ambient foods are losing out to chilled and frozen foods. Some products need reviving. Tea and cakes, for example, look stodgy in the face of newer drinks and snacks.

Given the industry's problems, who would be buyers? The obvious ones are multinationals wanting to build up UK operations. CPC and Heinz from the US, Danone (formerly BSN) and Nestlé from continental Europe are mentioned most often.

Among UK companies, Northern Foods, Unigate and Hillsdown are likely to turn buyers now they are close to selling off the last bits they do not want. Allied Domecq's food ingredients business could appeal to Dalgety and ABF at the right price.

Other companies are keen to buy brands or plants which bring economies of scale to manufacture and marketing while building market shares. But it is hard

to find a company to buy to get you into fast growing areas, says Mr Richard Cloutier, chief executive of Dalgety. The rare targets are typically "small companies that can't fund their own growth". The UK also remains an efficient place to make food for foreign markets, he adds. It justifies the transport costs. ABF, for example, is sending frozen garlic bread to Holland.

The debate over prices becoming getting heated. Some sellers "have stretched their profit margins to glory relative to own-label products," says one food manufacturer expressing surprise at high asking prices.

"The sellers are still hankering after the prices of yesterday but the buyers are looking to the low margins of tomorrow," says Mr Michael Landmeyer, a Henderson Crosthwaite analyst.

A study by Smith New Court of food acquisitions shows Cadbury Schweppes paying 15.5 times cashflow and two times book value for Trebor. The purchase gave it a big leg up in sugar confectionery and a mint brand to compete against Nestlé's Polo. In contrast, Hobson bought the Co-op's largely own-label food business, for seven times cash flow and 1.3 times book value.

Where bid and ask prices are far apart, realism could prevail in many cases. The restructuring pressures are too great to ignore. "People are realising they are not the real owners of some of their assets," one strategist says.

Roderick Oram

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**Halliwell Landau**  
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Solicitors to Banks:  
**Dibb Lupton Broomhead**  
September 1994







## INTERNATIONAL COMPANIES AND FINANCE

## American Express job cuts could reach 6,000

By Richard Waters in New York

American Express has confirmed it will undertake a wide-ranging overhaul of the back-office operations which support its card businesses in the US, in the process eliminating some 4,000 jobs.

The company also said it expected to cut a further 2,000 jobs by "streamlining" other support staff throughout its worldwide operations and at its headquarters.

Most of the cuts, out of a total workforce of 71,000, will come over the next two years as American Express closes four operating centres in the US.

The closures would be staged to avoid disruption, the financial services group said. Further streamlining will lead to more cuts "over the next several years".

The changes mark the second round of substantial cost-cutting undertaken by the company recently. Two years ago, American Express announced plans to axe 4,800 jobs as part of a move to reduce annual expenses by \$10m a year. The company said that target had been reached last year.

The switch to fewer operating centres reflects a change in approach as the financial services group broadens its range of products. At present, its charge card, corporate card and credit card products are handled in different centres. Plans to launch another 10-15 products in the next two years make this fragmentation impractical, the company said.

The continued focus on improved efficiency also reflects growing competition in the cards business.

Although the market is growing strongly, card companies have suffered from rising interest rates, which have increased their financing costs, and the launch of a range of new credit cards.

The reorganisation - billed by American Express as a re-engineering of processes ranging from cardmember acquisition to product development - follows a study by consultants from Booz Allen & Hamilton into the company's costs.

## CBoT to launch after-hours trade on October 20

By Laurie Morse in Chicago

The Chicago Board of Trade will launch its long-delayed after-hours computer trading system on October 20.

The system, known as Project A, will allow traders to use the CBoT's financial futures and options products during the late afternoon when the exchange's pits are closed.

Initially, Project A trading will be open for two hours, from 2.30pm to 4.30pm local time, bridging the gap between afternoon pit closures and the start of the CBoT's night floor trading session.

## Apple returns to the takeover limelight

By Louise Kehoe in San Francisco

Apple Computer, the personal computer maker, this week again became the subject of takeover speculation, with talk in the US markets that Motorola, the communications and semiconductor group, might be preparing a bid.

Although both companies declined comment and several industry observers expressed scepticism, Apple's share price jumped 4%, or 12 per cent, on Wednesday, to close at \$37.

Yesterday, the price receded to \$36. This is hardly the first time Apple has been at the centre of takeover speculation. Three years ago Mr John Sculley, former Apple chairman, tried to broker a "merger" with International Business Machines following the companies' agreement to form a wide-ranging technology alliance, which also involved Motorola.

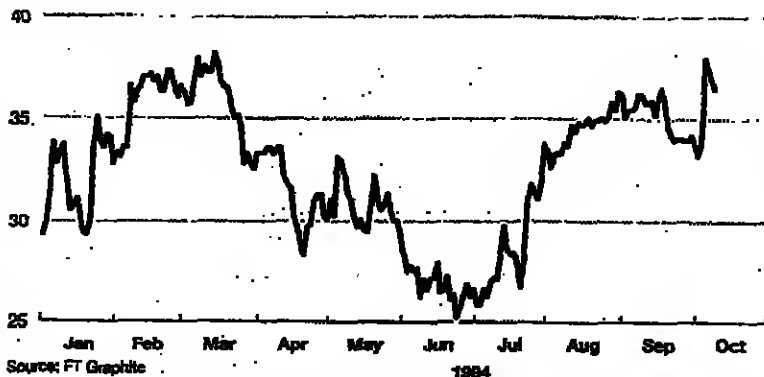
AT&T, the telecommunications group, is also reported to have held talks last year with Apple about a possible takeover.

While there is no hard evidence to support the rumours that Apple is "in play", it is increasingly clear that it needs to form new partnerships through either alliances or the sale of equity - if it is to maintain its momentum in the PC market.

Wall Street analysts expect Apple to post strong results over the next two quarters, with estimates of second-half

## Apple Computer

Share price (\$)



Source: FT Graphix

profits ranging from \$1.10 to \$1.55 per share, up from 65 cents on an operating basis for the first half of the year.

But the longer-term outlook for the company is far less promising. Apple's share of the world PC market has declined over the past two years to about 10 per cent from about 14 per cent.

Apple's "installed base" of Macintosh computers is about 18m. This is dwarfed by an installed base of nearly 70m PCs running Microsoft's Windows software, notes Ms Lucienne Painter, a PC industry analyst at Salomon

Brothers. "This makes the Windows platform the obvious choice for software developers to support," she says. Software programs for Windows PCs outnumber those for the Macintosh by more than 10 to one, according to Ms Painter.

Unless Apple can substantially increase the size of the market for Macintosh applications programs, it runs the risk of losing the vital support of software developers, narrowing still further the choice of new programs that users can buy off the shelf.

After years of internal debate, Apple recently announced plans to license its

Macintosh software to other computer makers, so they could produce "Mac clones". The company's goal is to boost market share for computers running Macintosh software to 30 per cent by the end of the decade.

However, Apple is taking a cautious approach to licensing its software. The company aims to pick just a handful of licensees which address segments of the PC market where Apple has little presence. With most large PC makers now wedded to Microsoft's Windows, it is not clear that Apple will find many takers for its software.

Yet it urgently needs a partner that can boost the Macintosh share of the PC market, industry analysts say. Motorola's introduction this week of a range of computers based on the same PowerPC microprocessor chip used in Apple's latest products has led some industry observers to speculate that the two companies would be a good fit.

However, Motorola's computers - which the company aims to sell through third parties - are not designed to run Apple's software. It seems unlikely, therefore, that Motorola's plan is to seed the market for Macintosh clones.

Anyone interested in acquiring Apple will need deep pockets. Apple's market capitalisation, at the current share price, is approximately \$4.3bn, and analysts speculate that it would sell at a substantial premium.

## Kmart warns of fall in earnings in third quarter

By Richard Tomkins in New York

Shares in Kmart, the troubled US discount store group, fell 3% to \$16 in early trading yesterday after the company warned that it expected to report a fall in earnings for its third quarter, ending in October.

If the prediction were fulfilled, it would be the eighth consecutive quarter in which the company's profits have declined.

Kmart said the main reason for the downturn was weakness in clothing sales. This was caused by unseasonably warm weather in the last three weeks of September, which had compared with cooler-than-normal temperatures in the same period a year earlier.

The company said the result

had been to limit comparable store sales increases in the US to 1.5 per cent in September. A year earlier it reported a 7.2 per cent increase in same-store sales in the US, producing net income of \$9m, or 30 cents a share.

Kmart said a weakness in margins on hardline goods would also hit third-quarter profits. This was caused by a shift in the sales mix towards promotional items.

The extent of the decline in profits would be influenced significantly by sales trends and the sales mix this month, which should be more favourable than in September, Kmart added.

Last month the company announced it was closing 110 of its discount stores, with the loss of 6,000 jobs, in an attempt to arrest its decline.

## NYSE poised to name Grasso as chairman

By Patrick Harverson in New York

The board of the New York Stock Exchange was late yesterday expected to elect Mr Richard Grasso as its chairman to succeed Mr William Donaldson, who steps down next May when his four-year term expires.

The election of the 48-year old Mr Grasso, president and chief operating officer of the NYSE, will mark the first time that a member of the exchange's staff has ascended to the chairman's office.

In its 202 years, the "Big Board", as it is known on Wall Street, has always been run by a prominent figure from stockbroking, business or politics.

Mr Grasso's elevation was expected to be confirmed unanimously by the board, which decided - for only the second time in the NYSE's history - not to employ a search committee to find a new chairman.

This decision reflected the belief among exchange insiders that Mr Grasso, who has worked at the Big Board for 26 years, was the right man for the job.

Mr Grasso lacks the high profile in Washington and the New York financial community of his predecessors, including Mr Donaldson, who helped found the brokerage firm Donaldson Lufkin & Jenrette and later worked as an undersecretary of state for Mr Henry Kissinger in the 1970s.

However, his supporters point out that his knowledge of the exchange's operations and technology, and his popularity with the Big Board's floor brokers and traders, make up for any shortage of influence outside the NYSE.

Mr Grasso joined the exchange in 1968 as a listing representative. In the intervening years, he made steady progress up the ranks, becoming president and chief operating officer in 1988, and executive vice-chairman in 1991.

Among his most pressing tasks when he assumes the chairmanship on June 1 will be to stem the flow of business away from the Big Board to screen-based, electronic trading systems and foreign exchanges, and to attract more listings of non-US companies.

## Warning on Canadian insurers

By Robert Gibbins in Montreal

More Canadian insurance firms are in danger of failure following the collapse of Confederation Life and Sovereign Life, Mr John Palmer, the new head of the Federal Office of Financial Institutions (OSFI), has warned.

"As restructuring of the industry continues, some institutions will fail by the way-side," Mr Palmer told a senate committee probing the collapse of Confederation Life in

August. He urged that the OSFI be given powers to supervise investment portfolios more closely, to avoid excessive exposure to property and other large sectors.

He said the OSFI must be able to intervene quickly with independent reviews of individual firms and their investment and actuarial policies.

However, Mr Palmer brushed aside suggestions from industry leaders that the federal government set up the equivalent of the Canada Deposit Insurance Corporation to protect

depositors and annuitants of insurance companies against collapse. CDIC guarantees bank and trust company deposits up to a maximum of \$60,000 (US\$44,776).

"The existing life insurance industry protection fund should have access to greater borrowings, but more reliance on government is not the answer," said Mr Palmer.

"All financial institutions and consumers should rely more on market discipline and not less."

## Canada's phone groups launch multimedia link

By Robert Gibbins

Canada's nine highest telephone companies have launched MediaLink, a national multimedia highway, to compete directly with the cable television industry.

MediaLink is 60 per cent owned by BCE, Bell Canada's parent company. It will offer consumers video-on-demand entertainment, interactive home shopping and financial services, education courses, data, healthcare, publishing and some government services.

It has a five-year budget of C\$250m (US\$186.5m) to develop the technology needed.

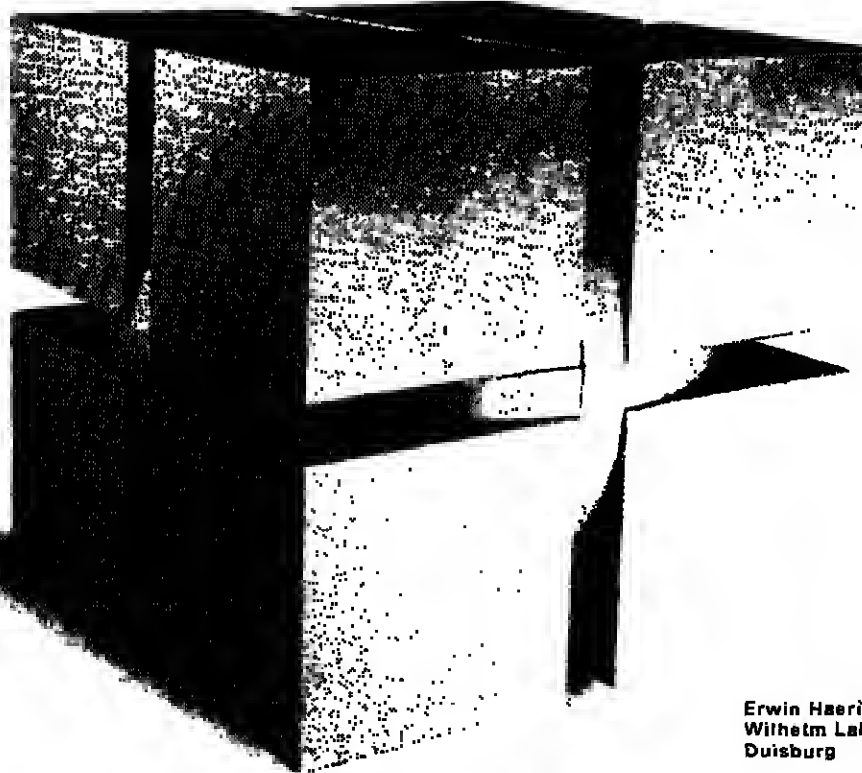
MediaLink, made possible by a regulatory decision last month, is part of the C\$8bn Beacon project through which the phone companies will upgrade all their transmission systems to fibre optics with coaxial connections to the home over the next decade.

DMR, a leading Canadian-based information technology consultant, lifted net profit 38 per cent to C\$1.1m, or 8 cents a share, on revenues of C\$71m for the first quarter ended August 31, up 17 per cent.

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## The Pfandbrief

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Erwin Haerich, no name, Wilhelm Lahmbrück Museum Duisburg

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DOPPLER WEATHER RADAR SYSTEM  
SIMEPAR TENDER Nº 002/94  
CALL FOR BIDS

The AGRONOMIC INSTITUTE OF PARANÁ - IAPAR will receive until 2:00 p.m. on the 23 November 1994, at the Paraná State Meteorological System - SIMEPAR at the Polytechnic Center of the Federal University of Paraná, Jardim das Américas, Curitiba - Paraná - Brazil, the Documentation for Eligibility and Technical and Commercial Proposals to manufacture the equipment for the Doppler Weather Radar System, the complete description of which is contained in the Technical Specification, the opportunity for which will begin in public session by the opening of the envelopes containing the Documents of Eligibility.

The bidding will be of a type, for Technical Quality and Price as Governed by the Brazilian Federal Statute 8.666/93 and the specific conditions contained in this edict.

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Tel/fax: +55 (41) 366-2122

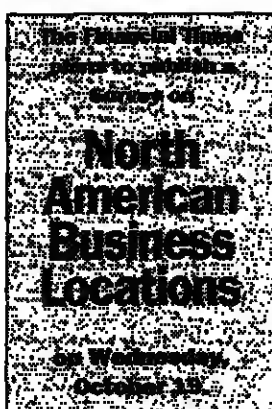
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## INTERNATIONAL CAPITAL MARKETS

## Treasuries little changed ahead of jobs data

By Frank McGurty in New York and Conner Middelmann in London

The US Treasury market took a breather after three straight losing sessions as traders nervously awaited this morning's jobs data.

By midday, the benchmark 30-year government bond was unchanged at 94 1/2, with the yield holding steady at 7.941 per cent. At the short end, the two-year note was up 1/8 at 99 1/2, to yield 6.667 per cent.

With no first-tier economic news on offer, attention turned to today's report on the labour market last month. Economists are expecting the government to report an increase in non-farm payrolls of about 250,000, a figure which would suggest moderate growth.

An increase that exceeded that level would probably trigger fresh declines, traders said, especially in long-dated government bonds.

In recent sessions, fixed-rate investors have become concerned that the Federal Reserve was allowing the economy to grow too fast to contain inflation. If the payroll increase exceeded 300,000, many are predicting the Fed would act immediately to put up short-term rates.

Anxiety over the economy's strength and its implications for monetary policy have upset the market for weeks. Yesterday provided an opportunity to regroup before a crucial piece of evidence arrived.

A firmer dollar and receding commodity prices provided a calming backdrop, allowing

traders to ignore the release of September sales data from leading retailers.

The morning brought two bond-favourable snapshots of the employment picture. The Labor Department said that initial claims for unemployment benefit had risen by 7,000

## GOVERNMENT BONDS

last week and the Conference Board, a trade group, said its "help-wanted" advertising index had declined from July to August amid signs that the labour market was cooling in the second half of the year.

European government bonds won a small reprieve yesterday, recouping some of their

recent losses in moderate turnover. Weaker-than-expected economic data in Germany and the UK lent some support, but traders said most of the gains came from short-covering after Wednesday's sharp sell-off.

They said investors remained reluctant to commit themselves to any new positions so close to today's keenly awaited US employment numbers, which many fear could trigger another interest rate increase by the Fed.

UK gilts once again outperformed most of Europe. The December long gilt future on Life rose 1/8 to 99 1/8.

Gilts received a boost from lower than expected industrial production and manufacturing output data, which indicated that the economy is not over-

heating and eased fears of inflation and monetary tightening. This boosted especially the short end of the yield curve, where the December contract rose by 0.12 to 98 1/2.

"People realise that even if rates go up, they won't rise as sharply as was feared in earlier," said Mr Adrian James, of NatWest Markets.

Gilts gained further support from continued buying by UK pension funds and some continental investors. The 10-year gilt spread over bunds narrowed again, to 127 basis points from 133 on Wednesday.

German bunds recovered some of Wednesday's losses, with the December bund future on Life rising some 0.54 points to 97.55. However, the market is likely to remain jittery amid political tensions and uncertainty over the budget bill's parliamentary approval.

per cent drop in manufacturing orders for August.

However, with bunds overshadowed by the elections and shaky US data, dealers see little scope for clear progress until the second half of the month.

French bonds ended a short-term session slightly higher after dealers were halted around lunchtime when union workers from French car manufacturer Renault occupied the trading floor.

Italian bonds bounced back from Wednesday's precipitous fall, with the BTP future on Life rising some 0.54 points to 97.55. However, the market is likely to remain jittery amid political tensions and uncertainty over the budget bill's parliamentary approval.

## BZW launches commodities fund

By Graham Bowley

Barclays de Zoete Wedd yesterday launched a new commodities investment fund which it claims is the first fund to be listed on the London Stock Exchange offering investors access to a wide range of commodities.

The Jersey-based investment fund, which will be managed by BZW Investment Management (BZWIM), has already attracted £70m of institutional interest.

A shelf registration has been filed with the London Stock Exchange putting a maximum of £200m on the amount of the fund.

Mr Ronald Gould, the managing director of BZWIM, said that "despite difficult general market conditions, there has been widespread global interest" in the commodities fund.

Investor interest in real assets, such as commodities,

has been aroused recently following the strong economic upturn in parts of Europe and the US, which has caused sharp rises in some commodity prices, coupled with signs of a resurgence in inflation and rising interest rates. Commodities can be used as a hedge against inflation and as a play on economic growth.

The minimum investment required by the fund is £5,000.

The fund was due to be launched in early September. However, unexpectedly strong interest from Japanese investors prompted a delay in the publication of the fund's pathfinder prospectus to allow time for it to get clearance from Japan's ministry of finance. Japanese investors account for around £10m of the shares already placed.

The fund will aim to outperform the Goldman Sachs Commodity Index by giving a greater weighting to industrial materials and energy, which BZWIM thinks should benefit the most from stronger economic growth.

## Intelsat taps 10-year sector with cheaply-priced \$200m deal

By Graham Bowley and Martin Brice

Few borrowers braved the eurobond market yesterday ahead of today's US employment data, which could prompt a further rise in US short-term interest rates. The US dollar sector saw most activity, with deals from Intelsat and Morgan Guaranty Trust.

Intelsat tapped the longer end of the dollar sector with a 10-year \$200m offering priced to yield 5 1/2 basis points over US government bonds.

Syndicate managers described the pricing as cheap and the spread tightened to around 50 basis points once the bonds were freed to trade. "These bonds were priced to clear," said one trader.

"The market is still difficult but the general feeling is that if you can pick your spot and price to recognize market conditions then you can get your deal done," said another.

Intelsat makes rare appearances in the eurobond markets. In March this year it brought a 10-year \$200m bond offering, which was priced, launched and syndicated in Asia Pacific (excluding Japan).

That deal, which was offered at the tighter spread of 37 basis points over the US Treasury bond, was not seen as a success.

## INTERNATIONAL BONDS

cess at the time. It was important, therefore, that yesterday's deal was a success, syndicate managers said.

Morgan Guaranty Trust tapped the shorter end of the dollar sector with a \$200m offering of two-year bonds priced to yield 19 basis points over US government bonds. Syndicate managers said the bonds were fairly priced.

Lead manager J.P. Morgan said it had sold \$60m of its own

allocation of \$136m and had only taken back \$10m of the \$64m allocated to other banks.

Demand came from Swiss and Benelux retail investors, and to a lesser extent from the Middle East and Germany.

Goldman Sachs and CS First Boston have cut 25 basis points from the 40 basis points launch spread on the \$200m Reed Elsevier five-year bond issued last month, after news of the company's takeover and possible credit rating downgrade.

Two deals were launched in the lira sector, despite turbulence resulting from recent political developments in Italy.

Deutsche Finance Netherlands opted for the two-year maturity with a 1,200m deal offering an 11 per cent coupon. Lead manager Deutsche Bank London reported very strong demand, sparked by both the high coupon and the short maturity. "No one wants to go long in these markets," said a syndicate official at Deutsche Bank London.

NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner		
US DOLLARS									
Intelsat	1,735bn	(n/a)	100.00	Nov 2004	0.40	+55/104-04	CS First Boston		
Morgan Guaranty Trust Co.	200	8.375	99.25R	Oct 2004	0.325R	+10/104-04	J.P. Morgan Securities		
YEN									
YEN Export Credit	20bn	3.50	98.99R	Dec 1997	0.35R	-	Yamaichi Int'l (Europe)		
ITALIAN LIRA									
Deutsche Finance Netherlands	200bn	11.00	101.77R	Nov 1999	1.125	-	Deutsche Bank London		
KW International Finance	200bn	8.375	91.99R	Apr 1999	undisc.	-	Deutsche Bank London		
GULF DOLLARS									
Abu Dhabi	250	7.875	98.85R	Nov 2004	0.325R	+20/104-04	ABN Amro Bank		
EURO DOLLARS									
Commerzbank Int'l (Lux)	2bn	8.825	102.625	Nov 2004	2.00	-	Knudsenbank		

First terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. Floating rate note. R: fixed re-offer price; see above at the re-offer level. C: Callable annually from Nov 98 at par. Exchangeable into transferable loan certificates. 1) 6-month Libor +85bp. 2) Long term coupon. 3) Fungible with £200bn. Price 180 days secured. 4) Issue launched on Wednesday was increased in life.

L200bn issue brought earlier this year and was said by Deutsche to have met with a good response, mostly from German retail investors who benefit from a tax exemption.

Mr. J.K. Puri, the Indian industrial conglomerate, also announced a \$55m GDR programme, lead-managed by BZW.

day raised \$55m with an offering of global depositary receipts, lead-managed by Crosby Securities.

J.K. Puri, the Indian industrial conglomerate, also announced a \$55m GDR programme, lead-managed by BZW.

## France sells FFr3.3bn of retail-targeted OATs

By Andrew Jack in Paris

The new French government bonds specifically targeted at individual investors appeared to have proved highly successful yesterday, with the amount already sold totalling about FFr3.3bn, the Treasury said.

The state announced last month that it aimed to sell nearly FFr20bn over the next year in OATs - *obligations assimilables du Trésor*.

Mr. Edmond Alphandery, the economics minister, stressed that the aim was to offer government bonds to a wider audience, in the same way that the public can subscribe to bonds in many other European countries.

In total, FFr9.42bn in bonds were allocated yesterday with a coupon of 7.5 per cent and due to mature in 2005. Banks are confident they can sell all of this amount to the public over the coming year, and their pressure triggered a decision by the government to double the amount offered.

The Treasury said the final details of subscriptions from the public would be known by October 25.

## WORLD BOND PRICES

## BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Days' change	Yield	Week ago	Month ago
Australia	9.000	08/04	93.1900	+0.280	10.10	10.20	6.88
Belgium	7.250	04/04	81.4000	+0.100	8.30	8.40	8.80
Canada	6.500	08/04	83.8600	-0.200	9.08	9.33	8.94
Denmark	7.000	12/04	86.2700	+0.220	9.12	8.98	9.09
France	6.000	05/08	107.0000	-	7.05	7.46	7.38
Germany	5.500	04/04	82.0100	+0.040	8.30	8.11	7.96
Italy	7.500	08/04	86.2400	+0.270	7.78	7.98	7.45
Japan	5.300	05/04	80.6800	+0.720	13.84	11.36	12.62
Netherlands	4.000	06/08	93.0200	-0.050	4.94	5.05	5.06
Spain	4.100	12/03	96.2800	+0.030	8.48	8.55	8.45
Sweden	6.750	01/04	87.4400	+0.100	7.89	7.90	7.42
UK Gilts	6.000	05/04	81.2900	+0.110	11.27	11.09	11.22
US Treasury	6.000	09/09	98.20	-1.32	8.65	8.54	8.31
US Treasury	6.750	11/04	96.47	-0.72	8.35	8.34	8.58
US Treasury	8.000	03/04	91.2900	-0.72	8.80	8.80	8.58
US Treasury	7.250	09/04	96.18	-2.12	7.75	7.64	7.28
US Treasury	7.500	11/04	94.29	-2.32	7.95	7.86	7.55
ECU (French Govt)	6.000	04/04	82.4900	+0.090	8.78	8.83	8.52

Source: Reuters International  
US Treasury: 12-month yield, 7.50%  
US Treasury: 30-year yield, 7.941%  
US Treasury: 10-year yield, 7.50%  
US Treasury: 5-year yield, 7.00%  
US Treasury: 2-year yield, 6.667%  
US Treasury: 1-year yield, 6.500%  
US Treasury: 6-month yield, 6.375%  
US Treasury: 3-month yield, 6.250%  
US Treasury: 1-month yield, 6.125%  
US Treasury: 15-day yield, 6.000%  
US Treasury: 7-day yield, 5.875%  
US Treasury: 1-day yield, 5.750%

## US INTEREST RATES

Instrument	Rate	Change
1-month	6.125	-0.005
3-month	6.250	-0.005
6-month	6.375	-0.005
9-month	6.500	-0.005
12-month	6.625	-0.005
15-month	6.750	-0.005
18-month	6.875	-0.005
21-month	7.000	-0.005
24-month	7.125	-0.005
27-month	7.250	-0.005
30-month	7.375	-0.005
33-month	7.500	-0.005
36-month	7.625	-0.005
39-month	7.750	-0.005
42-month	7.875	-0.005
45-month	8.000	-0.005
48-month	8.125	-0.005
51-month	8.250	-0.005
54-month	8.375	-0.005
57-month	8.500	-0.005
60-month	8.625	-0.005
63-month	8.750	-0.005
66-month	8.875	-0.005
69-month	9.000	-0.005
72-month	9.125	-0.005
75-month	9.250	-0.005
78-month	9.375	-0.005
81-month	9.500	-0.005
84-month	9.625	-0.005
87-month	9.750	-0.005
90-month	9.875	-0.005
93-month	10.000	-0.005
96-month	10.125	-0.005
99-month	10.250	-0.005
102-month	10.375	-0.005
105-month	10.500	-0.005
108-month	10.625	-0.005
111-month	10.750	-0.005
114-month	10.875	-0.005
117-month	11.000	-0.005
120-month	11.125	-0.005
123-month	11.250	-0.005
126-month	11.375	-0.005
129-month	11.500	-0.005
132-month	11.625	-0.005
135-month	11.750	-0.005
138-month	11.875	-0.005
141-month	12.000	-0.005
144-month	12.125	-0.005
147-month	12.250	-0.005
150-month	12.375	-0.005
153-month	12.500	-0.005
156-month	12.625	-0.005
159-month	12.750	-0.005
162-month	12.875	-0.005
165-month	13.000	-0.005
168-month	13.125	-0.005
171-month	13.250	-0.005
174-month	13.375	-0.005
177-month	13.500	-0.005
180-month	13.625	-0.005
183-month	13.750	-0.005
186-month	13.875	-0.005
189-month	14.000	-0.005
192-month	14.125	-0.005
195-month	14.250	-0.005
198-month	14.375	-0.005
201-month	14.500	-0.005
204-month	14.625	-0.005
207-month	14.750	-0.005
210-month	14.875	-0.005
213-month	15.000	-0.005
216-month	15.125	-0.005
219-month	15.250	-0.005
222-month	15.375	-0.005
225-month	15.500	-0.005
228-month	15.625	-0.005
231-month	15.750	-0.005
234-month	15.875	-0.005
237-month	16.000	-0.005
240-month	16.125	-0.005
243-month	16.250	-0.005
246-month	16.375	-0.005
249-month	16.500	-0.005
252-month	16.625	-0.005
255-month	16.750	-0.005
258-month	16.875	-0.005
261-month	17.000	-0.005
264-month	17.125	-0.005
267-month	17.250	-0.005
270-month	17.375	-0.005
273-month	17.500	-0.005
276-month	17.625	-0.005
279-month	17.750	-0.005
282-month	17.875	-0.005
285-month	18.000	-0.005
288-month	18.125	-0.005
291-month	18.250	-0.005
294-month	18.375	-0.005
297-month	18.500	-0.005
300-month	18.625	-0.005
303-month	18.750	-0.005
306-month	18.875	-0.005
309-month	19.000	-0.005
312-month	19.125	-0.005
315-month	19.250	-0.005
318-month	19.375	-0.005
321-month	19.500	-0.005
324-month	19.625	-0.005
327-month	19.750	-0.005
330-month	19.875	-0.005
333-month	20.000	-0.005
336-month	20.125	-0.005
339-month	20.250	-0.005
342-month	20.375	-0.005
345-month	20.500	-0.005
348-month	20.625	-0.005
351-month	20.750	-0.005
354-month	20.875	-0.005
357-month	21.000	-0.005
360-month	21.125	-0.005
363-month	21.250	-0.005
366-month	21.375	-0.005
369-month	21.500	-0.005
372-month	21.625	-0.005
375-month	21.750	-0.005
378-month	21.875	-0.005
381-month	22.000	-0.005
384-month	22.125	-0.005
387-month	22.250	-0.005</



## COMPANY NEWS: UK

## Deal will treble Newcastle group's commercial property portfolio

## Grainger pays £61m for Frincon

By Simon London, Property Correspondent

Grainger Trust, the Newcastle-based property company, will more than treble the size of its commercial property portfolio with the acquisition of privately owned investor and developer Frincon for £60.8m.

Grainger is paying for the acquisition through the issue of 4m shares and £50.7m loan notes to the family of Mr Robin Tomkins, who founded Frincon in the late 1970s.

The deal will give the Tomkins family 16 per cent of the enlarged company. Mr Tomkins will join Grainger's board as a non-executive director.

Frincon's assets comprise office, retail and industrial property, around half of which is in the Colchester area. However, under the terms of the deal Grainger has an option to sell part of the portfolio back to the vendors in September next year.

The properties covered by the option are either substantially unlet or let on leases that will shortly expire.

Mr Stephen Dickinson, managing director of Grainger, said the arrangement gave the company a year to find new tenants and renegotiate leases before deciding whether to sell in the open market or sell the properties back to the Tomkins family.

"They may well get a lot of these properties back," he said. If this option is exercised, Grainger would be left with a portfolio of 22 freehold and five leasehold properties valued at £81.3m. Mr Dickinson said these properties were mostly fully let at rents close to current market levels.

A maximum of £29.9m of loan notes issued to the Tomkins family could be redeemed. After allowing for £11.6m cash acquired with Frincon, Grainger's net outlay for this portfolio would be only £18.3m.

Until now, it has specialised in buying residential property let under regulated tenancies. Such properties are usually bought at a discount to reflect

the sitting rights of the tenants and sold when they become vacant.

Grainger is the second largest quoted residential landlord after Bradford Property Trust. Before yesterday's deal around two thirds of its assets were residential. This proportion will now fall to about half.

Grainger expects to have made a pre-tax profit of not less than £5.6m in the year to September 30, compared with £1.7m last time. The latest figures will include a £1.9m write-back on the value of current assets.

The company also expects to pay a final dividend of 4.5p, making a total for the year of 5.9p (5.25p).

## Receivers to Carden Park seek investors

By Simon London, Property Correspondent

Receivers are looking for investors to inject fresh equity into Carden Park, the 1,200 acre hotel and leisure complex near Manchester owned by Mr John Broome.

The Bank of Scotland, sole lender on the project, has appointed Grant Thornton as receivers under the Law of Property Act.

"We are looking at all the options. Either we find a buyer or some form of refinancing has to be agreed," the receivers said.

"At the moment our priorities are reassuring our suppliers and confirming bookings which have already been made."

Battersea Leisure Group, the company set up by Mr Broome to build a leisure complex on the site of Battersea Power Station in London, was put into liquidation earlier this year. That site is now in the hands of Mr George Hwang and Mr Victor Hwang, Hong Kong property investors.

Unlike Battersea, though, Carden Park is Mr Broome's personal project and he effectively operates as sole trader.

"I am going into business with my bankers until such time as we can attract the new equity required," said Mr Broome yesterday.

More than £20m has been spent over five years developing the ambitious Carden Park complex, which includes an 83 suite hotel and golf course. The development is aiming to attract corporate clients. Other attractions include playparks, shooting and archery.

Planning consent has been granted for a number of woodland villas, a new golf clubhouse and a larger swimming pool. Mr Broome estimated that another £5m would have to be spent to complete his dream.

While there are plans for further development, the complex opened for business 10 months ago.

Mr Broome said that hotel occupancy rates were currently running at about 60 per cent.

## Sherwood blames slack demand for 23% fall

By Tim Burt

Shares in Sherwood Group fell by 12p to 99p yesterday after the clothing and lace manufacturer blamed weak UK demand for a 23 per cent decline in first half profits.

Increased competition and sluggish orders for the company's socks and lingerie helped push down pre-tax profits from £7.76m to £5.96m, despite increased turnover of £76.4m (200.3m), including £2.25m from acquisitions.

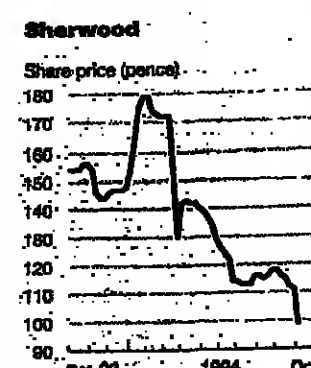
Although earnings per share fell from 4.8p to 3.1p in the six months to July 1, the dividend is raised to 1.15p (1p).

Justifying the rise, Mr David Parker, chairman, said: "Sales have picked up and we're now more optimistic about the second half."

He also pointed out that the first half figures were depressed by reorganisation costs in the UK and among its subsidiary lace manufacturers in continental Europe.

The group has cut its European workforce by 18 per cent to 450 and plans to close a factory in Germany, at a cost of £550,000.

It has also spent £200,000 reorganising its domestic garments business, which will no



longer produce children's clothing. The division's operating profits fell by 16 per cent, from £4.1m to £3.7m, following losses in children's outerwear and lower sales of socks and lingerie. Sales, however, rose 13 per cent to £24.4m (£39.5m) thanks to increased contributions from Lape, the Italian lingerie manufacturer acquired last year.

Profits in the lace division fell from £4.4m to £3.42m despite modestly increased turnover of £42.7m (£39.5m).

Net borrowings, meanwhile, rose from £22.9m to £27.2m, equivalent to gearing of 57 per cent, following payment of a

deferred consideration for Lape and the acquisition of Intimate Touch, the US lace distributor, in February.

The group also spent £7.1m on new equipment and facilities, which Mr Parker predicted would enable it to exploit any increase in demand.

## COMMENT

Analysts were rightly dismayed by these results and made swinging cuts in their full-year forecasts. On the best expectations, profits are unlikely to exceed £15m, some 24 per cent below earlier forecasts of about £21m. The shares look cheap on a forward multiple of 12, but it would take a brave investor to back a clothing company relying on lace - a mature business - and garment sales which have fallen sharply. The problem for Sherwood is that it has relatively little exposure to Marks and Spencer, the most lucrative customer for clothing manufacturers. Its rivals tend to be more aggressive with their suppliers, and it shows in the number of cancelled orders. The shares should stabilise if sales pick up in the second half, but a return to last year's peak looks remote.

## Wetherspoon advances to £6.5m

By Frederick Gram, Consumer Industries Editor

JD Wetherspoon, the pubs operator floated two years ago, raised pre-tax profits in the year to July 31 by 55 per cent from £4.17m to £6.48m, thanks mainly to its brisk rates of pub openings and a revival in drinks sales.

Heavy price promotion in January and February helped turn round like-for-like drink sales from a first-half decline of 5 per cent to a second-half rise of 6 per cent.

One of Wetherspoon's regular promotions is to offer one brand of beer at 99p a pint, but the cost was cut further to 79p at one point in the winter. Having reassessed itself as price competitive, it gradually raised prices again.

Mr Tim Martin, chairman, said second-half drink sales had also benefited from two months of good summer weather.

Like-for-like catering sales rose 14 per cent in the year. Margins benefited from cost savings now that food was being delivered to the pubs by a third-party distributor.



Tim Martin (left) and Mark McQuater: second-half drink sales had benefited from two months of good summer weather

Wetherspoon's shares, which were floated at 160p, fell by 14p to 406p yesterday.

Analysts attributed the dip to profit-taking after a strong recent rise. Forecasts are for pre-tax profits of about £9.5m this

of 6.6p (5.4p) for the full-year.

Earnings per share rose 29 per cent to 16.2p (14.1p), reflecting a one-for-four rights issue in March.

The rights issue and retained profits cut year-end debt to £18.1m (£21.8m) and gearing to 22 per cent (60 per cent).

Capital expenditure totalled £20.2m, financed by the rights issue and £11m net cash from operations after £4.4m in interest, tax and dividends.

Wetherspoon opened 16 pubs within the M25 area and four outside in the year, at a typical cost of about £780,000 each.

It plans to open another 14 this year, split evenly between inside and outside the M25.

Mr Martin said the company was aiming for about 130 pubs within two years.

Its newer, larger pubs were typically selling about 1,500 barrels of beer a year and turning over £750,000, compared with an average of about £300,000 for a typical brewer's tied pub.

See Observer

## Kode says bid rumour is 'without foundation'

By Richard Wolfe

Kode International, the computer services and printed circuit board group, yesterday dismissed rumours that it was the target of a possible takeover bid.

Kode denied it was in discussions concerning a bid and said it was unaware of any foundation for the rumours.

"There was a rumour in a couple of newspapers earlier in the week about the possibility of predators lurking. These are completely without foundation," said Mr Geoff Harvey, finance director.

The announcement came after the company's shares rose 7p to 56p on Monday and a further 8p to 64p on Wednesday. However, they closed down 4p at 60p yesterday.

Kode lost half its market

value in August when it reported interim pre-tax losses of £215,000 against profits of £710,000. Turnover was unchanged at £12.3m. The shares fell 37p to 38p as the company was cautious about its short-term prospects.

Its computer services division, DCM Services, was severely affected by the sudden fall in prices of third-party maintenance in the second half of 1993.

"We are happy with the progress on the circuit board side as a whole and are continuing to address the problems in computer services," Mr Harvey said.

Kode acquired DCM in July 1992 for £3.2m, funded by a rights issue of 3.66m new shares, and was reporting "fierce" competition by the end of 1993.

## Acquisitions behind 40% advance at Ex-Lands

By Simon London, Property Correspondent

Ex-Lands, the property investment trading company run by brothers Robert and Graham Bourne, reported a 40 per cent increase in pre-tax profits from £914,000 to £1,272m for the year to June 30.

The company raised £36m during the year by issuing new shares and convertible loan stock, most of which was spent on industrial and office trading properties. As a result, net assets increased from £16.3m to £51.9m.

Net assets per share rose by 24p to 25.7p, or 31.1p on a fully diluted basis allowing for conversion of the outstanding loan stock.

Turnover grew from £1,272m to £5.16m, reflecting acquisitions and the consolidation of

Clubhaus, a German leisure company formerly held as a joint venture with Mr Mark McCormack's International Management Group.

Ex-Lands spent £41m on acquisitions during the year, about half of which was bought from banks which had been left holding property as a result of bad debts.

Mr Robert Bourne, joint chief executive, said that such deals allowed the company to acquire properties which could be improved by intensive management and some investment.

Most of the property is being held as trading assets for resale in the near term. Discounting the convertible loan stock, which matures in 2020, gearing is 28 per cent. Earnings amounted to 0.98p (0.66p) and a dividend of 0.42p (0.35p) is recommended.

## Watts Blake in £11m German buy

By Tim Burt

Watts Blake Bearn & Co yesterday confirmed its position as the world's largest producer of specialist clays with a big expansion in Germany, its main market.

The Devon-based company, which this week announced a 24 per cent increase in first half profits, is paying £11m for Martin & Page's Potters' Rohstoffwerke (MPR), the ball clay mining business owned by Thyssen, the German steel group. The consideration is £6.6m cash and £4.4m of new borrowing.

The move comes just two days after WBB unveiled an acquisition strategy aimed at strengthening its presence in continental Europe.

Mr David Bowden, finance director, said MPR's operations would be partially integrated into Fuchs-Ton, WBB's German subsidiary. "Immediate benefits will be obtained through administrative cost saving, and the acquisition is expected to be earnings neutral in the first year," he said.

For the September 30 1993 year-end MPR's operating profits were £700,000. The enlarged business is expected to contribute more than 45 per cent of group sales, which rose from £39.3m to £41.2m in the six months to June 30.

## Morgan Grenfell

Morgan Grenfell Latin American Companies Trust which came to the market in February, had a net asset value of 111.2p per share at August 31. Fully diluted, the value was 109.3p.

For the period from February 21 to August 31 net available revenue amounted to £238,000 for earnings per share of 0.37p.

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Current payment	Total for year	Total last year
Berry Wehmiller	4.3	Jan 4	4.3	6.7	6.7
Dolphin Packaging	1.7	Nov 14	1.7	4.5	4.5
Eden	1.95	Jan 4	1.75	7.5	7.5
Ex-Lands	0.42	Nov 17	0.35	0.42	0.35
Galliford	0.5	Nov 25	0.5	1	1
Helene	0.85	Dec 31	0.85	2.01	2.01
Plantation & Gen	1	Jan 4	0.75	1.5	1.5
Radamec Group	0.7	Dec 9	0.5	1.7	1.7
Sherwood	1.15	Nov 22	1	2.9	2.9
Wetherspoon (AD)	4.41	Dec 16	3.6	6.8	5.4

Dividends shown per share net of tax where otherwise stated. \*On increased capital. \$USM stock.

## Barry Wehmiller hit by tough trading conditions

By Christopher Price

Annual pre-tax profits at Barry Wehmiller International declined by 28 per cent from £7.1m to £5.12m, as the packaging equipment manufacturer endured tough trading conditions, particularly in Europe.

However, Mr Stewart Brown, chief executive, said second half trading had improved over a weak first half and that the outlook for 1995 was "encouraging". Operating profits fell 24 per cent to £5.18m (£6.62m) in the year to July 31, but the rate of decline slowed to only 10 per cent in the second half.

Annual turnover slipped 4 per cent to £82.1m (£85.2m). The fall was most marked in

the group's Asian markets, which slid 41 per cent to £4.1m (£7.53m).

Mr Brown said the decline was due to a slump in regional aerosol sales, which were now recovering. Aerosol turnover fell 30 per cent to £3.41m (£13.42m), a fire at a production plant disrupting output. Of its main regional markets, Europe was the chief casualty, turnover retreating 6 per cent to £18.8m (£19.19m).

Operating profits across the group's three divisions all showed a fall, with the optical business having the steepest decline, down from £1.26m to £73,000 over the year. Mr Brown said that margins had been squeezed by a drive for

market share in the beer and soft drinks industry, particularly in the first half.

"Our order intake for the second half and in current trading has recovered significantly," said Mr Brown. "This, together with our substantial investment in our product and marketing in the past year makes us well positioned for steady growth."

He added that the group, which is relatively ungeared, was looking to make an acquisition in the coming year, with the pharmaceutical packaging business a likely target area.

Earnings per share fell 32 per cent to 7.5p (11p). The final dividend was maintained at 4.3p for a same-again 6.7p total.

## Taylor Woodrow in US deal

By Andrew Taylor, Construction Correspondent

Taylor Woodrow, the British construction group, has a joint venture with Kenco Communities US developer, has paid \$20m (£12.8m) for new homes in Florida remains strong and we see much potential for future growth."

The group more than doubled pre-tax profits from £10.1m to £22m during the first six months of this year, led by a sharp rise in house sales. Taylor Woodrow in the UK increased its contribution by 50 per cent to £3m. Housing profits from the US, Canada and Australia rose from 24m to 38m, after discounting a £3.2m write-down last year in southern California.

## Helene rises 31% at midday

Helene, the fashion wear manufacturer, reported pre-tax profits up 31 per cent at £1.23m for the first half of 1994, against 1993's £935,000. The group said the main operating companies made good advances.

Operating profits of £1.14m (£1.51m) were helped by a £250,000 insurance claim. A further £500,000 is expected shortly. Turnover was £51.8m (£45.9m). Earnings per share were 0.62p (0.56p) and the interim dividend is unchanged at 0.85p.

Since the period end Reggie & Co has been acquired for up to £10m and £14.9m raised by a rights and share subscription.

## Frederick Cooper

Frederick Cooper, the Worcester-based architectural hardware, coatings and electrical group, is selling its subsidiary Putters (London) for £3.75m.

Putters, which manufactures electrical components for the audio market, has been bought by Roxburgh Holdings.

Frederick Cooper said indications were that its results for the year ended July 31 had met directors' expectations. At the midway stage, the company reported what it called its "best interim trading performance" since 1988. Last year its pre-tax profits were £4.12m.

## Radamec advances

Radamec Group, the electronics and precision mechanical engineering group, raised pre-tax profits by 26 per cent from £235,000 to £291,000 for the first half of 1994. Turnover dropped from £5m to £5.19m.

Mr Len Whitaker, chairman, said the group's defence and TV studio businesses were expected to trade strongly in the second half, and continued improvement at other subsidiaries was anticipated.

Earnings per share grew by 0.3p to 2.1p and the interim dividend has been raised to 0.7p (0.5p).

## Beradin 18% lower

Two oil palm producers ultimately owned by Rowe Evans Investments yesterday reported reduced pre-tax profits for the first half of 1994.

● Beradin Holdings, the producer of oil palm fresh fruit bunches in West Malaysia, reported pre-tax profits down

## Hanson warrants

Hanson has received £243m cash as 20.88m warrants, representing 80 per cent of those issued in 1987 in connection with the acquisition of Kidde Inc, were exercised at \$18 per ADR.

Some £88m was received from those exercising warrants before March 31 1994. As a consequence of all exercises Hanson has issued 20.88m ADRs, representing 104.3m ordinary shares.

Each ADR represents five Hanson ordinary shares.

## Mezzanine Capital

Mezzanine Capital & Income Trust 2001 said yesterday that it had sold its investment in Polaris Pool Systems to senior management and two US investment firms for a total of \$25.7m (£16.2m).

MCIIT has received \$20.4m for its equity interest, which it

## Wellcome drug shows promise

By Daniel Green

Wellcome's new shingles drug, which is likely to be launched in several markets over the next year, has had promising results in clinical trials.

A new analysis of trials on 1,100 patients shows Valtrex to be 30 per cent faster at reducing pain than Wellcome's Zovirax. It is three times quicker than a placebo.

The results were presented yesterday at the 34th International Agents and Chemotherapy in Orlando, Florida. Wellcome shares rose 16p to 670p. Valtrex was submitted for approval to drug regulatory bodies in Europe and North America in June. Analysts forecast annual sales of up to \$1bn (£600m).

## Wm Low directors share over £900,000

By Neil Buckley

The four main directors of Wm Low, the Scottish supermarket chain acquired by Tesco in a £300m takeover last month, shared pay-offs totalling more than £900,000.

Mr James Miller, chairman, who had been with the company for 34 years, received only £75,800, or the equivalent of 13 months' salary, the amount of time his contract had left to run.

However, he will have made more than £121,000 from his personal shareholding in Wm Low, and should have netted at least £281,000 from exercising share options.

Mr Philip Spicer, chief executive, was on an annual salary

of £115,000, but a 36-month notice period in the event of a takeover. That took his total pay-off to £346,000.

He will have made £21,000 from his personal shareholding.

Both Mr Harvey Findlay, financial director, and Mr Sandy Leslie, buying and marketing director, were on salaries of £81,120 and 36 months' notice.

Their pay-offs would have been £243,380 each. Mr Findlay would also have made £13,000 from his shareholding and at least £204,000 from share options.

Mr Leslie stands to have made another £23,000 from his shares and at least £165,000 from share options.



## Etam doubles but gives warning of weaker trend

By David Blackwell

Shares in Etam, the fashion retailer, fell yesterday as the group almost doubled interim profits, but warned of a slightly weaker trend at the beginning of the second half.

The shares, which have performed strongly since hitting a low for the year of 217p in April, fell by 20p to close at 282p.

Pre-tax profits for the six months to August 13 rose from £2.4m to £4.4m. The latest figure was struck after a £1.6m loss on the disposal of shops.

Sales for the group, which is heavily reliant on the second half for its profits, were ahead 5 per cent at £113.4m (£108.2m).

Mr Keith Miles, finance director, said the group was not reading too much into the slightly weaker trend since the end of the first half. "It's nothing dramatic."

But he pointed to the recent interest rate rise, tax increases, particularly on domestic heating, and the autumn budget as deterrents to consumers.

At the same time, the group had had a good first half, bene-

fitting from six weeks of good weather which left it with very little in stocks to mark down. Gross margins improved from 4.8 to 7.7 per cent.

"We are obviously quite pleased with these results," he said. "It was always our strategy to rebuild the bottom line."

Interest receivable grew from £28,000 to £273,000, and the group ended the half with cash of £13.7m, compared with borrowings of £2.7m previously.

Capital expenditure rose from £2.3m to £4.8m as the group embarked on a big store refurbishment programme.

Mr Miles said spending for the year would be as high as £17m, with about 80m being spent on 55 branches before the end of November.

"We have come through the recession and established a platform from which to move forward. It's nice to be able to do that with your own cash," he said.

The group now operates 224 stores, of which 180 feature the Etam and Tammy brands, and 30 feature Etam, Tammy and Snob. Tammy sells children's wear, while Snob, which has been cut, targets younger women.

While the number of stores is slightly lower, the selling space increased from 843,000 sq ft to 857,000 sq ft.

Earnings per share rose from 2p to 4.25p. The interim dividend is increased from 1.75p to 1.95p.

### COMMENT

This was a sparkling set of interim results, well ahead of City expectations. But the cautious trading statement was enough to prompt investors to take their profits after seeing the stock outperform the stores sector by more than 20 per cent over the last three months.

Etam is trying to edge up its margins at the same time as improving both its image and the quality of its goods. The strategy paid off in the first half, and the company sees further benefits as its refurbishment programme gathers pace.

The dip in sales in the first seven weeks of the second half could be merely a rogue trading period. Forecasts have been upgraded to about £18m for this year and £21m for 1995-96, giving a prospective multiple of 13.5. This is a small discount to the sector and looks fair value.

## Singapore company gives new twist to BS

By Roland Adburgham, Wales and West Correspondent

A Singapore company is understood to be interested in buying the Kerman family interests in BS Group, the property and leisure group formerly known as Bristol Scotts.

It is the latest twist in a long power struggle at the Bristol-based company which led to the removal of Mr Anthony Kerman as chairman in August.

Mr Kerman, who remains a director, and other family members, control a quarter of the share capital. The ownership of a further 11.5 per cent is the subject of a legal dispute.

BS, which incurred pre-tax losses of £246,073 in 1993, said yesterday it had been told by the Stock Exchange a "third party" had made approaches to certain shareholders as a result of which there could be a change in ownership of the Kerman family's undisputed interest.

The company said the non-Kerman members of the board, and the company's advisers, Singer & Friedlander, were contacted by the Kerman family "with a view to discussing this disposal in the best interests of all the shareholders".

No response had yet been made by the Kerman family. Sir Ian Rankin, who replaced Mr Kerman as chairman, said he understood the approach had been made by a property-orientated company listed on the Singapore stock exchange. While he wished to see the Kermans' holding reduced and the share ownership expanded, he would not welcome the Singapore group taking too large a stake in case that deterred institutional investors.

Sir Ian, who through a Jersey trust has an 8 per cent holding, added: "If the Kermans were thinking of the rest of the shareholders, they would understand why we and the other directors wish for a wider shareholding."

Mr Anthony Kerman did not comment yesterday. The shares closed at 188p, up 15p.

## Paper industry passes the parcel

Deborah Hargreaves finds ample evidence of inflationary pressures

If Mr Kenneth Clarke, chancellor of the exchequer, wants proof of the pressures of inflation in the economy he need look no further than the paper and packaging industry, where prices have risen by at least 30 per cent this year.

Paper companies are looking to pass on massive increases in raw materials costs after a doubling of wood pulp prices to \$700 a tonne in recent months. The price of waste paper, which is the raw material for many packaging grades, has trebled this year.

But companies in the sector, which are all predicting a surge in income from the turnaround in the economic cycle, are of price recovery rather than price increases. "These prices are only coming back to the level they were at four to five years ago," says Mr Brendon Smurfit at Dublin-based paper and packaging company Jefferson Smurfit.

Pulp prices peaked at \$340 a tonne at the top of the last cycle in 1990, which suggests that the latest round of rises may well continue as supplies become tighter. Non-integrated paper and packaging companies must pass on these costs to their own customers or face a squeeze on margins.

"The size of the cost increases have been such that, if the industry did not recover them from its customers, companies would go bust," says Mr David Lyon, chief executive of Bowater, the packaging and printing group.

Some companies have been more successful than others in forcing through increases but most see the market heading upwards. Arjo Wiggins Appleton, the Anglo-French paper company, reported a 45 per cent rise in costs at its interim results meeting, with more increases in the pipeline.

Mr Alain Soulas, chief executive, said the fine paper market had been slower to accept price increases, but the company was managing to push through rises of 5-10 per cent for most grades this month.

Mr Smurfit said the recovery of raw materials costs had been "slower than we'd like, but it is starting to happen in most major markets".

According to research by Barclays de Zoete Wedd, prices



David Lyon: companies that do not pass on costs will go bust



Alain Soulas: price of fine paper has been slower to rise



Peter Williams: producers face environmental restrictions

for packaging grades of paper - waste-based testliner used for making corrugated board - increased by 85 per cent this year in France to the equivalent of £279 a tonne, and by 95 per cent in Germany to £285 a tonne.

A similar grade made from virgin fibre - kraftliner - rose by 52 per cent to £339 a tonne in the UK.

Increased demand for paper and packaging goods is an important indicator of economic recovery - companies need more packaging material to wrap their surging shipments. Mr Lyon reckons that, very crudely, for every 1 per cent rise in gross domestic product, demand for packaging materials increases by 1-1.25 per cent and for paper by around 2 per cent.

Mr Lyon says Bowater has seen demand rise by about 3-4 per cent this year. Mr Peter Williams, chief executive of David S. Smith Holdings, the UK paper, packaging and office supplies group which produces waste-based packaging material, says European demand has risen by 6-7 per cent.

In the current economic cycle, pulp prices have risen more rapidly than at other periods as growing environmental restrictions on forest products, and the threat of a strike in British Columbia - one of the world's biggest suppliers - combined to tighten world supply. In addition, changes in recycling rules in Germany have pushed up waste paper prices.

Demand for paper and pack-

aging goods has finally caught up with increased capacity installed by companies at the height of the previous boom. In a fiercely competitive market where companies are producing a commodity product, many companies sought to hold on to market share during the recession by deeply discounting prices.

Price discounts have now mostly been eliminated and the market for most paper grades is set to go higher. Mr Soulas said the European market for paper prices in June had only recovered to the same level as in June 1993 after dropping in some cases by 25 per cent in the second half of last year.

But price increases in September and October had pushed the market generally 7 per cent higher than last year, he noted.

Price rises will soon extend to the newspaper sector, where newspapers begin annual supply contract negotiations in coming months. Mr Tim Rothwell, paper and packaging analyst at BZW, expects spot prices for newsprint to increase by 7-10 per cent this month with more rises coming through next year.

The turnaround in the market for most paper and packaging companies has seen share prices recovering from the doldrums of recent years. The paper and packaging sector of the FT-SE All-Share Index has risen by 14.5 per cent in the past year. Most observers believe there is considerable room for further advances.

"I don't think anyone can predict the cycle accurately, but I think companies will get a good run until 1998 and maybe even 2000," says Mr Rothwell. Most companies are upbeat on the outlook for the next couple of years. "We are looking towards the whole of 1996 as the peak of the cycle," says Mr Lyon.

One problem for the industry is that as soon as companies' fortunes start to improve, they are tempted to add capacity, which contributes to the next downturn. "The roller coaster ride over the past 30 years has been due to too many global players chasing volume," says Mr Rothwell.

Mr Smurfit hopes companies will be more cautious about re-investing. "We hope the industry has learned some of the lessons from the depth of the last recession. It wasn't a recession in volume terms, but oversupply led to deep discounting."

Mr Williams says the tougher environmental legislation that many companies face, particularly in North America, could discourage them from building new plants.

Environmental restrictions are also likely to limit the availability of forest products for paper-making, and waste paper supplies are becoming tighter. These factors could give the industry a better long-term outlook than it has enjoyed for many years.

Tomorrow Tim Bart reports on chemicals companies' efforts to pass on sharp increases in raw material prices.

## Withdrawal from pipelines puts Galliford £5.9m in red

By Peter Pearce

Shares in Galliford fell by 7p to 27p as the Midlands-based contractor and housebuilder revealed pre-tax losses of £5.88m for the year to June 30, against profits of £412,000 last time.

Losses per share emerged at 5.04p (earnings of 0.33p) and the unchanged final dividend of 0.5p maintains the total as 1p. This is the third year running that the dividend has been paid from reserves.

The pre-tax losses can be blamed on the now discontinued pipeline rehabilitation business. The group said that losses on the withdrawal from this activity were in line with those anticipated in April, when it decided to discontinue

the business.

Pipeline operating losses were £2.92m, on turnover of £10.8m. There was, in the words of Mr Richard Miles, chairman, a full provision of £3.08m against losses on contracts still being run out. In addition costs of £339,000 were carried for redundancies and closure costs.

Mr Miles stressed that, stripping out the discontinued operations, profits would have been £118,000, against losses of £516,000.

Group turnover edged ahead to £219.9m (£215.7m).

The construction division incurred losses of £2.4m (profit £408,000) on turnover of £129m (£126m).

The division is following industry trends in seeking bet-

ter margins from low-speculation development joint ventures, partnership projects in the private sector and securing land for housing associations.

Housebuilding lifted profits to £2.03m (£1.58m) on increased turnover of £11.5m (£9.03m). Margins were maintained at 17 per cent and completions totalled 233, up 31 per cent. The average sale price was £53,400 (£53,135).

The landbank was increased with the acquisition of 985 plots. The cost was undischarged, but the group said it would not buy at prices from which it could not make margins of 18 per cent.

Merchandising achieved profits of £447,000 (losses £717,000) as turnover rose to £50.3m (£44.9m).

Sir Ian, who through a Jersey trust has an 8 per cent holding, added: "If the Kermans were thinking of the rest of the shareholders, they would understand why we and the other directors wish for a wider shareholding."

Mr Anthony Kerman did not comment yesterday. The shares closed at 188p, up 15p.

## Chime to sell cubicles offshoot for £1.2m

By Diane Summers, Marketing Correspondent

Chime Communications, the holding company for the public relations business headed by Sir Timothy Bell, is disposing of the last of its non-public relations businesses.

It is selling Venesta Cubicle Systems for £1.2m to Venesta Cubicles, a newly-formed company. The disposal is subject

to shareholder approval.

In June Chime reversed into Chartwell, the cubicle and carpet tile manufacturer. In September it disposed of the carpet tile business to a Sirard subsidiary for £1.4m.

Chime also announced in September the acquisition of Green Moon, a specialist consumer public relations company, for £1.1m in a mixture of cash and shares.

## Dolphin Packaging edges ahead to £1.15m midway

Dolphin Packaging, which supplies its products mainly to the food industry, reported near-static turnover and profits for the half year to end-June.

On turnover marginally up from £12.6m to £12.7m pre-tax profits were ahead slightly from £1.13m to £1.15m. Earnings came out at 3.47p (3.42p) per share and the interim dividend is maintained at 1.7p.

Mr Roger Woolley, chairman,

said that raw materials costs had been rising at 30 to 40 per cent a year. These increases were too great to be absorbed, he said, and would have to be passed on to customers.

Mr Woolley also announced he was to retire in the new year. The post of chairman would be filled by Mr Harry Evans, currently chief executive, who will be succeeded by Mr David Mars.

## Building from a local base

Andrew Baxter looks at BICC's strategy for winning work in Asia

Few UK companies could have been more relieved by the recent lifting of Malaysia's controversial ban on public contracts than BICC, the cables and construction group.

As a result of the ban, BICC's Balfour Beatty construction arm and Trafalgar House, its consortium partner, failed to win the £30m project management contract at the new Kuala Lumpur airport.

However, Mr Ian Thomas, Balfour Beatty's director for international business development, is confident the company can make up lost ground.

Even with the placing of the £1bn main terminal contract, there is as much work again still to be awarded, building everything from the runways to the control tower, he says. Then there is a planned airport rail link and other opportunities in Malaysia.

Fortunately for BICC, its other business, cables, was unaffected by the ban. The UK company has 40 per cent of Power Cables Malaysia, the rest of which is owned by Bumiputera interests. Mr Roy Allen, responsible for planning how BICC can develop its cables business in Asia, says: "It is a model for our expansion in the region."

And rapidly industrialising countries, such as Malaysia, remain crucial to BICC's Asian strategy. Sales in the Asia-Pacific region jumped from £127m in 1989 to £281m last year, if all of PCM's £40m sales are included.

Mr Thomas believes Balfour Beatty can raise its turnover in the region from the £100m to

£110m achieved last year to £300m over the next three to five years. In cables, BICC could treble its sales in the region to £500m by the end of the decade, according to Sir Robin Beggan, chairman.

The two sides of BICC may be very different, but there is common ground in the need to have a good local presence in Asia.

Up to the mid-1990s, says Mr Thomas, Balfour Beatty's Asia-Pacific business had benefited from the UK's aid-for-trade programme. However, the slowdown in aid, along with the recognition that individual markets in the region differed widely, increased the need for the company to "think local" if it was to benefit from the expansion of the region's infrastructure.

Some of the local contractors were just as good as Balfour Beatty, he says. But the UK company realised it had the extra skills needed to put together complex infrastructure projects along with local and foreign partners - and in particular the expertise to exploit the region's fast-growing market for private infrastructure projects.

So joint ventures, such as the successful 49 per cent owned Balfour Beatty Sakti Indonesia and the joint venture with the Thai Sahaviriya Group, were a necessity. "It's the only way to obtain business, and do it profitably," says Mr Thomas.

Over the past two to three years, the UK group has also beefed up its regional management. The aim is to have a senior manager for Balfour Beatty in each country, to whom the operating subsidiary managers report.

So far Balfour Beatty has

stopped short of creating an overall business chief for Asia, although Mr Thomas is spending most of his time in that role.

Such a move has recently been announced, however, in the sister cables business, which is forming a new company, BICC Asia-Pacific Cables, to manage the manufacture and marketing of power and communication cables in the region. The new company, owned jointly by BICC and Metal Manufactures, its 61 per cent owned Australian subsidiary, will be based in Singapore under Mr Nigel Taylor, its managing director.

Mr Allen, who has been based in London, acknowledges: "You can direct and give advice, but you can't 'think Asian' from London."

The venture will be chaired by Mr Glenn Dudley, managing director of MM, which is paying BICC between \$500m and \$750m (£30m to £35m) for taking part. MM, which also makes copper tubes and plastic pipes and has electrical wholesaling interests, has lifted its exports to neighbour-

ing countries from \$820m to \$825m over the past five years.

The link-up will enable MM to benefit from its UK parent's longer involvement in the Asia region. By working together, the two companies will be able to "open up more fronts more quickly," says Mr Dudley.

BICC is already the biggest exporter of cables into the region, but the venture's key task will be to oversee the development of a much bigger manufacturing base.

Inevitably, PCM sees China as the biggest prospect for the cable business, either through new investment or co-operation with existing companies. BICC is involved in discussions with China's Shanghai Cable Works on a possible manufacturing joint venture.

In Vietnam MM is taking the lead. It is refurbishing a small telecommunications cable plant owned by Vietnam's main post and telephones company. Payment could form part of the equity in a joint venture which Mr Dudley hopes to negotiate over the next 12 months.

Both BICC and MM see Indonesia as a good opportunity, and a joint venture is a distinct possibility. In the Philippines, tentative talks have been held with a big local group.

Both men stress that choosing the right local partner is crucial and that they will not be rushed into making investments. "The market is great, but you've got to do it right to make money," says Mr Dudley - a view with which all the companies "tackling Asia's tigers" would concur.

This concludes the series. Previous articles appeared on August 9, 13, 17, 23 and 27.

This information appears as a matter of record only.

October 1994



# Lufthansa

## Deutsche Lufthansa Aktiengesellschaft

International Offering of 5,000,000 Ordinary Bearer Shares

Global Coordinator

Dresdner Bank

Aktiengesellschaft

Deutsche Bank

Aktiengesellschaft

Dresdner Bank

Aktiengesellschaft

CS First Boston

United

NatWest Securities

United

Bayerische Landesbank

Girozentrale

Commerzbank

Aktiengesellschaft

ABN AMRO Bank N.V.

United

Barclays de Zoete Wedd

Goldman Sachs International

Nomura International

Salomon Brothers International

United

Kleinwort Benson Securities

S. G. Warburg Securities

Bayerische Vereinsbank

Aktiengesellschaft

DG BANK

Deutsche Genossenschaftsbank

BNP Capital Markets

Daiwa Europe Limited

Lehman Brothers

N M Rothschild and Smith New Court

Swiss Bank Corporation

United

Regional Selling Syndicates

Germany

Dresdner Bank

Aktiengesellschaft

Bayerische Landesbank

Girozentrale

BHF-BANK

DG BANK

Deutsche Genossenschaftsbank

Rest of Europe

Dresdner Bank

Aktiengesellschaft

UBS Limited

ABN AMRO Bank N.V.

CS First Boston

Morgan Stanley & Co.

International

Swiss Bank Corporation

United

Rest of the World

Dresdner Bank

Aktiengesellschaft

CS First Boston

Goldman Sachs International

Lehman Brothers

NatWest Securities

United

Salomon Brothers International

United

Morgan Stanley & Co.

International

UBS Limited

BHF-BANK

Westdeutsche Landesbank

Girozentrale



## COMMODITIES AND AGRICULTURE

## Magma bid wins Peruvian copper prize

By Sally Bowen in Lima

Tintaya, Peru's second biggest copper producer and owner of the country's highest-grade copper deposits, was sold at a keenly-contested auction in Lima yesterday. After seven bids were received, Tintaya was knocked down to Magma Copper of Tucson, Arizona for \$218m plus \$50m in Peruvian secondary debt paper.

Magma's winning bid was just \$1m ahead of its nearest rival Metall Mining Corporation of Toronto. The third highest offer of \$191.6m came from Britain's RTZ. The minimum set by Peru's privatisers was \$80m cash, an investment commitment of \$85m plus a fixed \$55m in debt paper taken at face value.

Tintaya will be Magma's first operating unit outside the US. Company representatives at the sale called the mine - at 4,100m above sea level in the department of Cuzco, some 400 miles south-east of the capital Lima - "a wonderful opportunity". They said the company was "extremely confident about operating in Peru".

The sale of Tintaya marks another milestone in Peru's aggressive privatisation process. It is the first time debt paper has been used as part of the purchase price. Under new legislation, bidders may choose between offering a fixed amount of secondary debt or a cash equivalent. The same procedure will be followed with next month's sell-off of the Cajamarquilla zinc refinery.

Tintaya's new owner faces a major investment commitment, which may well be in excess of the minimum \$85m over five years specified in the



Tintaya, Peru's second biggest copper mine, will be Magma's first operating unit outside the US.

conditions for bidding. Reserves in the main open-pit mine - where on average 2.04 per cent copper - are down below 12m tonnes and will run out in around three years.

Development of as yet untouched but highly promising surrounding deposits will be a matter of urgency.

Three of these - Chabuata, Este, Chabuata Sur and Corocohueco - together have some 56.5m proven reserves averaging around 2.3 per cent copper, higher than Tintaya's main mine. In addition, Tintaya has some 10m tonnes of oxide ore already mined and stockpiled ready for leaching.

The Tintaya processing plant is one of Peru's most modern

and most ecologically sound. Expanded, it could serve other privately-owned mines in the same area. Water supply is abundant and electricity seems not to be a problem.

Privatisation should bring happier times for Tintaya. It is often cited as a choice example of state mismanagement of a prime asset, having posted losses consistently since coming on stream in 1986, despite being well-designed and equipped.

Next on Peru's mining privatisation agenda is the zinc refinery of Cajamarquilla, located in the province of Lima and less than 40km from the port of Callao. The sale date has been set for November 4 and the pri-

vatizers are asking for \$40m in debt paper and a minimum of \$120m in cash (\$30m on signature of contract and the remainder in deferred quotas). There is also an immediate investment commitment of \$30m.

Cajamarquilla is one of just half a dozen zinc refineries in the Latin American continent. It was constructed by Sybetta of Belgium at a cost of \$300m and started operations in 1981. Installed capacity is 101,500 tonnes of refined zinc and under normal conditions the plant produces at between 80 and 95 per cent of that.

Last year's sales topped \$55m, with zinc ingots accounting for 47m. Cajamarquilla

also produces up to 130,000 tonnes of sulphuric acid which brought in \$4.4m last year.

Fourteen companies have pre-qualified for the purchase, two of them Peruvian operations that buy zinc for industrial transformation. The front runner looks to be Canada's Cominco, which has associated with Marubeni of Japan.

There is considerable scope for increasing local zinc refining capacity. Peru is the world's fourth largest zinc producer behind Canada, the former Soviet Union and Australia. But only a third of the 600,000 tonnes of concentrates produced annually in Peru is refined inside the country.

Until recently, unreliable electricity supply made expansion possibilities remote. Not infrequent droughts have always meant unavoidable cuts in production.

But under Peru's new liberal economic regime, privatisation of the energy sector is already under way. The new owner of Cajamarquilla will be free to contract electricity supply from either the recently privatised Lima distribution system, or directly from a privately-owned and operated generating plant in the hinterland.

"This will mean a revolution for Cajamarquilla," said Mr Carlos Malaga, the refinery's general manager.

After rationalisation, which has halved the workforce from 1990's high of 1,100, Cajamarquilla looks a leaner and more efficient operation. In 1993 production costs were \$712 a tonne, with still-high energy costs. If zinc prices hold firm, next month should see another successful privatisation.

## UK coal undercuts its competitors

By Gerard McCloskey

An invitation issued by National Power of the UK for price quotes for 600,000 tonnes of imported coal has produced the least expected result - most of the tonnage has been won by UK producers.

Except for six vessels ordered from South African producers, who appear to have priced their coal well below international levels, the bulk of the tonnage has been awarded either to British Coal or private UK miners.

The UK prices have surprised even the National Power buyers with bids as low as 85p a gigajoule, compared with over £1.47 in the British Coal contracts with the generators. The success of the new UK coal industry in straight competition with importers has not been limited to the internal market, however. Two sales have been made to Finnish buyers, one by a private producer and the other by British Coal. The British Coal sale, of about 130,000 tonnes from Selby stockpile, while priced at only 55.6p a gigajoule is likely to have been higher than BC's valuation of its 13m tonne stockpile. The private mine sale - from Coal Investments' Silverdale and Hem Heath collieries - is priced even lower and it is difficult to see how it could have brought the operators any meaningful return.

That the sales have been possible is as much an illustration of the imagination of the new coal industry as the dearth of coal on international markets and consequent strengthening

of prices. The Finns, in particular, have been let down badly by both their Russian and Polish suppliers and are seeking immediate tonnage for delivery ahead of a rise in carbon taxes in the new year.

Elsewhere contracts have been signed for 1995 that see rise of \$6 a tonne on 1994 levels. Many expect that in some markets these rise will prove to be modest. In Denmark, traditionally the graveyard for optimism among coal salesmen, rises from contracts struck this year at around \$20 a tonne from South Africa to around \$30, FOB Richards Bay, are expected.

The coal shortage, which affects cooking coal as well as steam coal, albeit to a lesser extent, is unlikely to be cured in the short term. Strong demand - in particular from the US, for low sulphur South American coal, and from Asian power companies with new power plant coming into operation - is not being matched by new supply. In Asia, too, India is emerging as a significant and totally unexpected buyer.

Although it seems likely at the higher international price levels now emerging that the new British Coal successor companies will be able to dump their excess stocks into the European market or into National Power, it is difficult to see it as long-term business. A return of less than 60 pence a gigajoule at the mine may be welcome as a bit of additional cash flow, but in terms of timing business it is simply not viable.

## Russian oil exports uprated

By Robert Corzine

Recent Russian oil exports have continued to grow more strongly than previously forecast, according to the International Energy Agency in Paris. In its monthly oil market report published yesterday the agency estimated that August exports from the former Soviet Union were 2.56m barrels a day, compared with an earlier forecast of 2.35m. September exports are thought to have declined slightly, to 2.2m b/d.

The IEA also lifted its forecast for fourth quarter Russian exports to 2m b/d, 100,000 more than its earlier estimate. Winter storms in the Baltic and the Black Sea often hamper tanker loading operations at that time. But it expected a slight rise in exports because of low domestic demand, the need for hard currency and the prospect that joint ventures between western and Russian oil companies would be more successful in getting export licenses.

The fourth quarter estimate for output from the UK and Norwegian sectors of the North Sea is also raised to a total of 6m b/d. The continuing surge in North Sea production is the main factor behind the IEA's forecast that fourth quarter output from countries outside the Organisation of Petroleum Exporting Countries will be 42m b/d, up 1.1m from the third quarter.

It put Opec output at 25m b/d, above its 24.5m b/d ceiling, due largely to a recovery in Nigeria following the end of the oil workers' strike.

## MARKET REPORT

## Copper's continued recovery buoy's base metals

COPPER prices yesterday continued to claw back the losses recorded in last week's dramatic \$120 sell-off at the London Metal Exchange and this spread confidence throughout the market, traders said.

The three months delivery reached \$2,544 before easing when Southern Peru Copper Corporation's workers ended a strike. Last business was at \$2,536 a tonne, up \$13 from Wednesday.

Dealers noted that copper's

fundamentals were the most promising of the base metals with a relatively low stocks/consumption ratio.

ALUMINIUM prices were given an early boost by European merchant demand, which came in when the three

months price dipped to \$1,640 a tonne, and this soon saw the market nudging against Wednesday's resistance around \$1,650. But again the barrier held and the price drifted back to \$1,647, up \$7.

Compiled from Reuters

## Guatemala says it will continue EU banana fight

By Deborah Hargreaves

Guatemala said yesterday it would step up pressure for the repeal of the European Union's banana import regime following the European Court's rejection of a challenge by Germany on Wednesday.

"This action by the court

reinforces our resolve to pursue every available option under international law," said Mr Claudio Riedel Telge, ambassador in Brussels.

He said Guatemala was prepared to complain again to the World Trade Organisation under its strengthened rules on dispute settlement. Two dis-

pute panels under the General Agreement on Tariffs and Trade have already upheld complaints about the EU's banana rules.

In March, the European Commission settled the disputes by agreeing to increase tariff-free import quotas for Latin American bananas to

2.1m tonnes. But Guatemala refused to accept the settlement, which has not been formally adopted by the EU council of ministers.

Germany has lodged an additional legal challenge with the European court disputing the commission's authority to negotiate the deal.

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Antwerp/London Metal Exchange)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 month

Closes 1628.5-9.5 1647-8

Previous 1625.5-6.5 1645-6

High/Low 1631 1650/1640

AM Official 1631-1.5 1650/1640

Kerb close 1631-1.5 1647-8

Open Int. 252,824

Total daily turnover 53,070

ALUMINIUM ALLOY (\$ per tonne)

Closes 1660-70 1683-5

Previous 1650-5 1670-4

High/Low 1655-5 1675-4

AM Official 1655-5 1675-4

Kerb close 1655-5 1675-4

Open Int. 3,020

Total daily turnover 229

LEAD (\$ per tonne)

Closes 827.5-8.5 842-3

Previous 825.5-6.5 840-4

High/Low 833 845/841

AM Official 833 845/841

Kerb close 833 845/841

Open Int. 41,963

Total daily turnover 9,543

NICKEL (\$ per tonne)

Closes 6590-90 6690-90

Previous 6540-80 6640-80

High/Low 6540-80 6640-80

AM Official 6540-80 6640-80

Kerb close 6540-80 6640-80

Open Int. 88,385

Total daily turnover 16,562

TIN (\$ per tonne)

Closes 5390-50 5490-50

Previous 5380-50 5480-50

High/Low 5380-50 5480-50

AM Official 5380-50 5480-50

Kerb close 5380-50 5480-50

Open Int. 15,528

Total daily turnover 4,487

ZINC, special high grade (\$ per tonne)

Closes 1052.5-3.5 1074-5

Previous 1040-1 1062-4

High/Low 1051/1050 1073/1058

AM Official 1051/1050 1073/1058

Kerb close 1051/1050 1073/1058

Open Int. 96,287

Total daily turnover 22,681

COPPER, grade A (\$ per tonne)

Closes 2540-1 2557-6

Previous 2530-30 2547-30

High/Low 2540-1 2557-6

AM Official 2540-1 2557-6

Kerb close 2540-1 2557-6

Open Int. 22,764

Total daily turnover 69,552

LME AM Official 6/25 ratio: 1.0851

LME Closing 6/25 ratio: 1.0871

Spot: 1.0881 6 month: 1.0889 9 month: 1.0891

High Grade Copper (COMEX)

Closes 118.90 +0.30 119.65 118.40 2,228 214

Previous 118.25 +0.45 117.20 117.10 2,228 214

High/Low 118.25 +0.45 117.20 117.10 2,228 214

AM Official 118.25 +0.45 117.20 117.10 2,228 214

Kerb close 118.25 +0.45 117.20 117.10 2,228 214

Open Int. 114,715

Total 25,676 9,740

## PRECIOUS METALS continued

## GOLD COMEX (100 Troy oz \$/troy oz)

Cash 3 month

Closes 382.2 381.5 380.5 180 45

Previous 381.5 -0.1 380.5 380.5 180 45

High/Low 381.5 -0.1 380.5 380.5 180 45

AM Official 381.5 -0.1 380.5 380.5 180 45

Kerb close 381.5 -0.1 380.5 380.5 180 45

Open Int. 167,827 23,751

Total 167,827 23,751

PLATINUM NYMEX (50 Troy oz \$/troy oz)

Closes 418.8 -2.6 422.8 420.1 430 32

Previous 418.8 -2.6 422.8 420.1 430 32

High/Low 418.8 -2.6 422.8 420.1 430 32

AM Official 418.8 -2.6 422.8 420.1 430 32

Kerb close 418.8 -2.6 422.8 420.1 430 32

Open Int. 24,808 3,581

Total 24,808 3,581

PALLADIUM NYMEX (100 Troy oz \$/troy oz)

Closes 155.20 +0.10 156.25 155.00 4,947 155

Previous 155.20 +0.10 156.25 155.00 4,947 155

High/Low 155.20 +0.10 156.25 155.00 4,947 155

AM Official 155.20 +0.10 156.25 155.00 4,947 155

Kerb close 155.20 +0.10 156.25 155.00 4,947 155

Open Int. 152 7

Total 152 7

SILVER COMEX (100 Troy oz \$/troy oz)

Closes 561.9 +1.2 563.0 561.5 1 4

Previous 561.9 +1.2 563.0 561.5 1 4

High/Low 561.9 +1.2 563.0 561.5 1 4

AM Official 561.9 +1.2 563.0 561.5 1 4

Kerb close 561.9 +1.2 563.0 561.5 1 4

Open Int. 44 4

Total 44 4

CRUDE OIL NYMEX (42,000 US gals \$/barrel)

Closes 18.19 +0.18 18.23 18.00 76,537 27,228

Previous 18.19 +0.18 18.23 18.00 76,537 27,228

High/Low 18.19 +0.18 18.23 18.00 76,537 27,228

AM Official 18.19 +0.18 18.23 18.00 76,537 27,228

Kerb close 18.19 +0.18 18.23 18.00 76,537 27,228

Open Int. 18,300 1,842

Total 18,300 1,842

HEATING OIL NYMEX (42,000 US gals \$/barrel)

Closes 18.19 +0.18 18.23 18.00 76,537 27,228

Previous 18.19 +0.18 18.23 18.00 76,537 27,228

High/Low 18.19 +0.18 18.23 18.00 76,537 27,228

AM Official 18.19 +0.18 18.23 18.00 76,537 27,228

Kerb close 18.19 +0.18 18.23 18.00 76,537 27,228

Open Int. 18,300 1,842

Total 18,300 1,842

NATURAL GAS NYMEX (10,000 BTU \$/BTU)

Closes 50.30 +0.40 50.30 49.70 30,929 10,111

Previous 50.30 +0.40 50.30 49.70 30,929 10,111

High/Low 50.30 +0.40 50.30 49.70 30,929 10,111

AM Official 50.30 +0.40 50.30 49.70 30,929 10,111

Kerb close 50.30 +0.40 50.30 49.70 30,929 10,111

Open Int. 1,500 0.01

Total 1,500 0.01

UNLEADED GASOLINE NYMEX (42,000 US gals \$/barrel)

Closes 50.30 +0.40 50.30 49.70 30,929 10,111

Previous 50.30 +0.40 50.30 49.70 30,929 10,111

High/Low 50.30 +0.40 50.30 49.70 30,929 10,111







## BANKS

## CHEMICALS

**ELECTRONIC & ELECTRICAL EQPT - Cont**

## EXTRACTIVE INDUSTRIES

## HEALTH CARE - Con

## BREWERIES

## DISTRIBUTORS

Bandrand R	492	495	300
Emperor AS	120	176	11

Friends Prov Ethical	\$29	8800	+1	100
Units		18200		200

## BUILDING & CONSTRUCTION

Dixon Motors	2W	175cd
Electrocomp	2N	447
Electron House	2N	1085d

Kipol G.	1047	-2	1057	568
Leslie R.	1271	-	137	697

Stopped PI	100%	173
German Inv	88	100
Wizards	27	97

McCortney & St	58	78 $\frac{1}{2}$	50 $\frac{3}{4}$	55.0
McIntire	41 $\frac{1}{2}$	7 $\frac{1}{2}$	41 $\frac{1}{2}$	7.96

## DIVERSIFIED IN

Western Deep R	121	121	121	121
Western Mining	368	368	368	368
Wilmont	121	121	121	121

JOHN INC.	44	100	100
Cap	42	100	100
Junior Firm	88	100	100

## BUILDING MATS. & MERCHANTS

Jordan Hdg 9 ☒ 5074  
Jordan (1) ☒ 31  
Jordan Hdg 9 ☒ 5074

Donals (S)	64	67	50
Dawson Fer	983	214	983
Dawson Jarl	216	216	216

Lowland	SMN	201	—	334
Len Sessler Co's	M	68	—	199
		73	—	22

Calcebreed Rob A	43	76	31	2.28
Cape	238	270	238	128.8

## ELECTRICITY

Perkins	76	71	62
Polysand (CP) S.	19	67	15

Mercury Euro Pro	21½	+1	50
Warrant	28½	+½	45

Stock	76	+1	100	67	100.3
Warrants	2		5	2	0.41
John Mansfield	4		4	2	0.10

## ELECTRONIC &

Page 300 303 303

8	221	---	382½
Murray ball	327rd	+2	383

Tel: (071)-828-1651 Fax: (071)-828-9976



## INVESTMENT TRUSTS - Cont.

Trust Name	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	99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## FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED  
UNIT TRUSTS

ASB Unit Trust Managers Ltd (1000F)

11 Bedford Row, London WC1R 4EJ

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020 7460 1235

020 7460 1236

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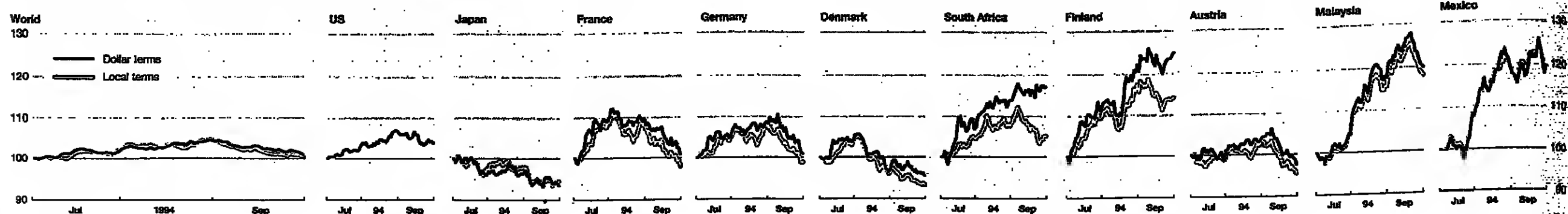
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## FT-Actuaries World Indices in the third quarter 1994



## AMERICA

## Dow meanders ahead of crucial jobs data

## Wall Street

US share prices meandered in a narrow range yesterday morning as equity investors tracked for today's crucial jobs data, writes Frank McGurty in New York.

By 1 pm, the Dow Jones Industrial Average was off 0.33 at 3,787.87, while the more broadly based Standard & Poor's 500 was up 0.63 at 454.15. The American SE composite was 1.99 ahead at 453.10 and the Nasdaq composite added 1.03 at 747.31.

After two straight losing sessions, stocks opened weaker again, but soon limped back to their starting levels in uninspired trading.

No important economic news was released, and the bond market was taking a break from the long spell of turbulence which had driven prices lower in recent weeks.

But the charged atmosphere was expected to return with a vengeance this morning. With the Labor Department set to release its monthly report on the employment market, investors were calculating the odds of the Federal Reserve responding with a move to lift interest rates again.

Economists were expecting to see an increase in non-farm payrolls of about 250,000. If the gain was close to 300,000 - a figure which would indicate a spurt of economic activity - many thought it was likely that the Fed would act immediately.

But the news might not be as bad as some were fearing, judging from yesterday's second-order reports. The Labor Department said that initial claims for unemployment benefit were up by 7,000 last week. Later, the Conference Board said that its index of help wanted advertising declined from July to August.

Still, those numbers were not nearly persuasive enough to inspire investors. Most were reluctant to make fresh commitments before today's data. On the NYSE, declining issues were about level with advances by early afternoon, in lacklustre volume of 153m shares.

Among the Dow components, International Paper was one of the only ones which showed much movement, shedding \$1 to \$76. The loss was offset by a \$1 gain by Procter & Gamble, which was trading at \$60. The session was enlivened by the announcement of an attempt to derail an agreed merger between two big railroads. Union Pacific dropped \$2 to \$14 on the disclosure that it had filed a lawsuit seeking to require Santa Fe Pacific to entertain its rival merger offer. Santa Fe's share price jumped \$2 to \$14 in the wake of the move, while Burlington Northern, its would-be partner, roared \$4 to \$48.

The market was generally unimpressed by the release of monthly sales data by the leading retailers. Kmart receded \$2 to \$16. Sales in stores opened at least a year were up a tepid 2.8 per cent, and the

company warned of a decline in third-quarter earnings.

On the Nasdaq, Apple Computer gave back \$14 to \$98 in heavy volume of 3.5m shares. The stock had jumped in the previous session on speculation that Motorola was interested in acquiring the company.

## Canada

Toronto traded higher in mid-day trade as buyers went bargain hunting following the market's weakness in recent days. All 14 sub-indices posted gains, led by strength in gold, consumer products and transportation.

The TSE 300 index rose 22.1 to 4,275.47 at noon in volume of 31.7m shares. Fears of rising interest rates had pulled the index down by a total of 100 points in the previous three days.

Gold and precious metals led gains, rising 1.1 per cent. Placer Dome picked up \$3 to \$23.2 and American Barrick rose \$3 to \$34.7.

## SOUTH AFRICA

Johannesburg extended recent losses in slow, lacklustre trade as the market remained under pressure from a soft bullion price and reduced speculation about an imminent scrapping of the financial rand.

The gold shares index declined 36 to 2,330, industrials finished the day unchanged at 6,271 and the overall index shed 21 to 5,595.

## EUROPE

## Bourses in limited technical recovery

Mr Edmond Alphandery, the French economy minister, did his bit for bourses yesterday, saying that he saw room for a rebound, writes Our Markets Staff.

At Wednesday's close, the Paris CAC 40 index was at a low for the year, and down by 20 per cent from its 1994 high, and Mr Alphandery could see no repeat now of the October 1987 stock market crash.

PARIS bounced a little after Wednesday's 1994 low but it put in less of a recovery, with the CAC 40 index just 9.66 higher at 1,843.38, than it did from a similar position on Tuesday. Turnover fell to FF2.64bn as a demonstration against the Renault privatisation disrupted trading on the Matif and Moneyp exchanges.

Significant moves tended to be downwards. Saint Gobain fell FF6 to FF612 as its chairman, Mr Jean-Louis Beffa, was questioned again by a judge looking into corruption allegations. Bouygues, the construction group whose consortium won France's third mobile telephone licence this week, fell FF18 to FF589 on plans for a rights issue.

M6-Metropole Television, introduced to the market last Thursday, dipped FF3 to FF307 after fund managers filled their requirements. Clearing, the textile company, came back FF29 to FF284 after it said that its stake in BSKYB would not be materially altered by the flotation of the British satellite broadcaster.

However, Danat, the thermal clothing supplier, rose FF290 to FF6,040 after results which, lacking comparisons due to a change in the year-end, indicated a 7.1 per cent

## FT-SE Actuaries Share Indices

Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1295.82	1296.25	1295.03	1292.93	1290.33	1290.06	1286.62	1290.04
FT-SE Eurotrack 200	1348.71	1348.92	1348.67	1345.57	1344.17	1344.34	1342.76	1345.42

Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1295.82	1296.25	1295.03	1292.93	1290.33	1290.06	1286.62	1290.04
FT-SE Eurotrack 200	1348.71	1348.92	1348.67	1345.57	1344.17	1344.34	1342.76	1345.42

Source: Reuters. Note: FT-SE Actuaries Share Indices are calculated on a daily basis. The indices are based on the FT-SE Actuaries Share Indices.

rise in turnover "at constant structure" for the year to June. FRANKFURT registered a new 1994 closing low on the official session at 1,961.03, down 7.69. But the real measure of the day was in the post-bourse where the Dax hit bottom at 1,930.55 on Wednesday, and closed yesterday 18.92 higher at 1,955.41.

In that period Volkswagen rose DM9 to DM43.30, and foreign interest was noted. However, turnover fell from DM7.5bn to DM6.4bn and the index reaction looked strictly technical.

West German industrial orders fell 2.2 per cent in August from July and were up 6.4 per cent from a year ago. Economists said that the slowdown was not a danger sign for the economy.

Mr Reinhard Fischer, a partner in Research Vision, was less sanguine in one sense, saying that, of the building blocks of the economy, neither consumption nor investment in new equipment were pointing to a robust recovery yet.

Exports were looking good, he acknowledged, but the weakness of the dollar put a question mark over profitability in that area. He did say that this different quality of growth could allow the Bundesbank some leeway to reduce interest

Stora and MoDo, two of Sweden's leading forestry groups, fell heavily yesterday on plans for big investments in new capacity, writes Christopher Brown-Humes in Stockholm.

MoDo, which is considering a SKr2.1bn investment in a 270,000 tonnes per year newsprint machine at Braviken, saw its "B" shares weaken SKr16 to SKr325.

Stora fell SKr9 to SKr417 as it began design work on a new 250,000 tonnes per year board machine. This investment would cost around SKr2.5bn.

These are the two biggest investment projects to emerge from the Swedish pulp and paper industry this year.

The market took fright because the severe downturn in the pulp and paper cycle in 1991 and 1992 was caused by overcapacity, not by a drop in demand.

There are fears that the current upturn could also be wrecked if too many companies order new equipment. The market is also worried about dividend prospects and - in MoDo's case - about a possible rights issue.

The forestry index fell 1.73 per cent to 1,424.54, against an overall 0.2 per cent decline in the Stockholm bourse.

the government and anti-corruption magistrates continued to act as a disincentive, particularly to foreign investors.

Benetton picked up L36 to L19,343 after the 13.1 per cent fall of the previous four sessions, following last week's disappointing results. Merrill Lynch reiterated its positive recommendation on the stock, encouraging investors to exploit the current price weakness and buy. It said that Benetton remained the only larger apparel retailer with a real global presence and the company was successfully diversifying and upgrading its product mix. Its price policy had enabled the company aggressively to increase market share and there was further room to reduce costs.

AMSTERDAM saw thin, volatile trade which took the AEX index 0.65 higher to 390.78. VNU dropped FI 5.10 to FI173.50 amid concerns that a new commercial television station, to be launched in the

Netherlands, might put pressure on the market share of VNU's television affiliates. Elsevier erased Wednesday's sharp losses in heavy trade, as investors reversed their negative reaction to the purchase of a US data bank. Elsevier rose 90 cents or 5.6 per cent to FI17, having fallen 3.5 per cent on Wednesday as dealers expressed doubts over the \$1.5bn it had paid Mead Corp's Lexis-Nexis operation.

WARSAW's recovery stalled, with the WIG index virtually unchanged at 9,902.4, but the newly listed construction company ESPERPE surged 125 per cent from its issue price to 340,000 zlotys on its first day on the main market. However, the new issue boosted the company's share capital 10-fold and it was criticised for advertising, in these circumstances, based on its historical average price/earnings ratio.

Written and edited by William Cochrane and Michael Morgan

## ASIA PACIFIC

## Taipei down 4.2% on default case

## Tokyo

Share prices lost ground on small-lot arbitrage selling as public fund managers, which supported prices on Wednesday, held the sidelines, writes Emilio Teraszono in Tokyo.

The Nikkei 225 average shed 96.33 to 19,553.23 after a day's high of 19,748.45 in the morning and a subsequent low of 19,648.43. Volume was 203m shares, against 197m. Most investors were reluctant to build positions ahead of the three-day weekend.

The Topix index of all first section stocks closed 5.78 down at 1,576.27 and the Nikkei 300 lost 1.09 at 288.80. Falls led gains by 659 to 328, with 191 issues steady. But in London the ISE/Nikkei 50 index improved 2.30 to 1,299.90.

Lingering doubts over Japan Tobacco also weighed on investor confidence. Although the offer was oversubscribed, successful applicants who won the lottery for shares might let their applications lapse by not paying for their JT stock by the deadline next Tuesday.

Some Japanese brokers

expect as many as 30 to 40 per cent of the successful applicants to abstain. Any stock which becomes available as a result of lapsed applications will be reallocated to applicants rejected in the first round, and this will be announced next Friday.

The second round applicants have until October 19 to pay, and any left-over stock as a result of lapsed second-round applications may be offered into the secondary market by the government on October 27, the listing date.

Japan Telecom, regarded as a benchmark of investor confidence in former state-owned companies, slipped Y130,000 to Y40.0m. It rallied on Wednesday on active buying by brokers looking to prop up waning interest in Japan Tobacco.

In Osaka the OSE average rose 30.81 to 21,990.09 in volume of 8.7m shares.

## Roundup

Australia and Hong Kong were inclined to wait for today's US jobs data; other markets had more parochial considerations. TAIPEI was sharply lower

for a second straight day, losing 4.2 per cent in active trade as the Hualon Group's payment default case continued to dominate activity.

The weighted index ended 291.27 points down at 6,553.32 in active turnover of T\$70.20bn, having fallen 3.3 per cent on Wednesday.

At least 15 Taiwanese brokerages, including two units owned by Hualon, were involved in the payment defaults totalling T\$2.6bn in the previous three days, according to the Securities Exchange Commission. Hualon Corp plunged the daily 7 per cent limit for the second day, shedding T\$1.7 to T\$22.9.

SINGAPORE fell 2.0 per cent, led by losses in blue chips as institutional investors succumbed to concerns on Wall Street. The Straits Times Industrial Index closed 47.52 points lower at 2,335.31.

Singapore Airlines foreign shares dived \$1.30 to \$13.70 on news that it will cut published fares for 33 destinations.

SHANGHAI's A share index dropped 6.8 per cent amid persistent rumours that China's leader Deng Xiaoping

was seriously ill. The index gave up 48.81 at 674.58, falling below support at 700.2. The B share index, of shares available to foreigners, dipped 1.02 or 1.3 per cent to 78.63.

WELLINGTON continued lower for the third consecutive day, with interest rate worries leaving shares 1.8 per cent down. The NZSE-40 capital index finished 36.86 weaker at 1,988.16.

SEOUL followed an early spurt in banking and low price/earnings ratio stocks with broadly based buying and the composite index moved ahead 12.64 to a new 1994 high of 1,069.93. In banks, Shinhan climbed Won800 to a record Won19,800 and Korea Long-Term went the day's limit up, Won1,000, to Won25,500.

JAKARTA's official index ended 7.82 higher at 511.46 after investors bought a range of high-capitalisation stocks. BOMBAY saw sustained buying on expectations of a favourable credit policy being announced on Monday week, the BSE 30-share index advancing 29.44 to 4,379.49.

## FT-Actuaries World Indices

Jointly compiled by The Financial Times Ltd, Goldman, Sachs & Co, and NatWest Securities Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of business	US Dollar Index	Day's Change %	WEDNESDAY OCTOBER 5 1994						THURSDAY OCTOBER 6 1994						DOLLAR INDEX		Year ago (approx)
			Point Sterling Index	Yen Index	DM Index	Local Currency Index	% chg day	Gross Div. Yield	US Dollar Index	Point Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low		
Australia (68)	168.42	-1.0	165.44	104.64	133.47	148.85	-1.1	3.71	188.05	157.84	105.90	135.59	151.25	188.15	147.48	143.22	
Austria (18)	180.66	-0.3	188.73	113.58	144.88	144.81	-0.8	1.11	181.18	170.15	114.18	145.18	146.08	180.69	168.07	168.07	
Belgium (27)	162.52	-1.0	151.61	102.06	130.18	127.07	-1.5	4.34	189.89	103.20	128.29	129.02	177.04	140.58	140.58	140.58	
Canada (103)	134.50	-0.7	125.63	84.57	107.87	131.29	-0.5	2.58	135.48	127.24	85.37	109.31	131.88	145.31	120.24	122.23	
Denmark (24)	243.27	-1.8	227.31	153.02	195.17	200.13	-2.3	1.48	247.99	232.92	196.27	200.08	204.89	275.79	230.27	200.98	
Finland (24)	181.57	-0.5	189.59	114.18	145.61	162.71	-0.6	0.77	182.38	171.29	114.53	147.15	163.86	182.38	163.86	182.38	
France (101)	152.04	-1.6	151.55	101.88	129.95	134.00	-2.1	3.20	164.73	154.72	103.80	122.51	138.92	185.37	138.92	171.40	
Germany (58)	135.59	-0.8	135.84	85.25	108.74	108.74	-1.4	1.88	136.85	128.36	86.11	110.25	120.40	128.37	128.37	128.37	
Hong Kong (58)	383.02	-2.1	357.78	240.83	307.16	380.00	-2.1	3.20	381.43	367.84	248.68	315.82	388.34	395.88	312.06	312.06	
Ireland (14)	201.12	-0.8	187.86	128.48	161.20	180.54	-1.0	3.54	202.05	198.77	127.23	163.02	192.41	218.00	192.41	218.00	
Italy (59)	79.12	-3.0	73.90	48.75	63.46	92.60	-2.9	1.67	81.59	78.63	51.41	65.83	95.33	97.78	67.78	73.83	
Japan (98)	169.80	-1.0	149.08	100.35	123.00	100.35	-0.7	0.78	158.09	148.48	99.62	127.56	99.82	170.10	164.54	151.51	
Malaysia (17)	363.33	0.3	326.17	384.21	451.78	568.39	0.9	1.51	388.40	324.47	351.88	400.54	461.64	581.83	461.64	581.83	
Mexico (18)	221.41	-0.7	207.11	129.42	178.51	235.41	-0.5	1.24	223.90	208.23	140.43	180.72	232.08	294.70	180.72	232.08	
Netherlands (19)	206.11	-1.2	192.51	123.59	165.30	162.53	-1.6	3.55	206.71	198.03	131.52	168.40	165.38	218.16	167.01	167.01	
New Zealand (14)	71.58	-0.9	68.68	45.01	57.41	63.00	-0.8	3.86	72.23	67.84	45.32	58.28	63.59	77.59	59.22	60.11	
Norway (23)	195.50	-0.8	183.53	123.59	157.59	175.41	-1.4	1.84	196.27	186.22	124.94	169.96	181.96	211.74	165.62	175.48	
Singapore (14)	383.12	1.2	387.18	247.18	315.28	388.99	0.7	1.58	388.58	364.94	244.85	313.60	355.11	385.12	313.60	355.12	
South Africa (58)	311.90	-0.7	291.33	196.11	250.14	287.69	-0.7	2.23	314.18	295.07	197.97	293.47	299.77	314.24	270.22	204.05	
Spain (38)	135.23	-1.8	125.87	85.40	108.83	131.68	-2.0	4.21	138.02	129.83	86.97	111.35	134.38	155.79	128.88	137.81	
Sweden (29)	216.88	-1.3	205.38	136.29	178.35	240.48	-1.5	1.66	222.85	208.31	140.43	178.81	244.08	251.35	176.83	163.81	
Switzerland (47)	148.28	-0.8	148.80	103.75	129.52	127.82	-1.5	1.91	151.28	151.48	101.83	130.12	128.32	178.58	128.32	178.58	
United Kingdom (294)	181.02	-0.8	178.42	130.11	153.20	178.42	-1.4	4.25	182.67	180.98	121.41	155.45	180.98	214.90	151.11	130.22	
USA (151)	185.26	-0.3	173.04	115.48	148.57	185.26	-0.3	2.93	185.78	174.48	117.07	148.89	185.78	198.04	170.91	177.74	
EUROPE (709)	185.16	-1.1	154.26	103.64	132.45	145.27	-1.8	3.19	187.05	158.90	105.27	134.78	147.70	178.68	147.70	163.05	
Nordic (119)	214.85	-1.3	200.67	135.09	172.30	200.83	-1.5	1.47	217.59	204.37	137.12	175.58	203.99	222.15	173.18	180.27	
Pacific (747)	189.06	0.7	157.81	108.30	135.59	111.08	0.5	1.09	187.91	187.71	105.81	135.48	110.55	178.86	135.48	164.34	
Euro-Pacific (1456)	187.25	-0.1	155.25	106.18	134.16	125.01	-0.4	1.97	187.43	187.25	105.51	135.05	125.33	175.14	125.33	175.14	
North America (619)	182.10	-0.3	170.09	114.50	148.04	181.82	-0.2	2.82	182.55	171.55	115.10	147.38	182.04	192.73	176.76	194.16	
Europe Ex UK (505)	147.90	-1.3	137.95	92.88	116.45	125.85	-1.8	2.56	148.84	140.54	94.30	120.79	127.04	158.12	135.94	140.19	
Pacific Ex Japan (279)	260.82	-0.8	243.82	164.00	203.18	232.01	-0.8	2.80	262.82	248.85	165.82	212.05	233.87	290.21	211.18	211.19	
World Ex US (1659)	188.16	-0.1	158.02	108.37	135.56	123.75	-0.4	1.99	188.38	182.08	108.74	135.05	123.75	175.14	123.75	175.14	
World Ex UK (1947)	171.80	-0.1	160.46	106.02	137.78	142.95	-0.3	2.11	171.82	168.37	138.73	143.33	170.09	155.05	155.05	155.05	
World Ex. So. Af. (208)	172.62	-0.2	161.23	105.54	138.44	145.19	-0.4	2.31	172.91	162.92	108.35	145.71	145.72	178.59	145.72	178.59	
World Ex Japan (1163)	182.99	-0.7	170.92	115.48	147.75	172.89	-0.8	2.97	184.20	173.00	108.63	140.61	174.36	190.20	176.34	177.74	
The World Index (2151)	173.51	-0.2	162.06	109.08	130.15	146.24	-0.4	2.31	173.81	163.26	108.63	140.23	145.78	180.80	158.85	188.18	



## RECRUITMENT

JOBS: the use of psychoanalytical techniques for those seeking a new career direction

## Zen and the art of finding a true vocation

You had to feel sorry for Dermot. As much as he looked at the ceiling or closed his eyes and tried to blot out the surroundings he could not secure an image. His mind was blank.

"I can't see anything at all," he confessed. Dermot was lying on a blanket in a room with eight other people variously lying or sitting staring into space. Had this been a forest in California with men in lumberjack shirts pounding tom-toms in a male bonding session it might have been more readily explained.

But this was a mixed group of men and women - English to boot - on a floor of the building that houses one of the world's biggest accountancy firms. Outside in the City of London people were making money, doing deals, catching cabs.

Inside, sandwiched between the upper and lower floors of the Farlington Street accountancy offices of KPMG Peat Marwick, its career consultancy arm was running a visioning workshop, one of the more ethereal sides of outplacement.

Outplacement, the structured approach to helping people in redundancy programmes to find new jobs, is also designed to enable people to come to terms with their job loss. A trend in the US which has now become established in the UK has been to develop visioning courses designed to enable people to

think more deeply about their work and discover what they really want to do in life.

Psychologists at KPMG Career Consultants have evolved a series of visioning sessions that use self-awareness processes, drawing on Zen Buddhism and meditation techniques. If this sounds like a throw-back to the 1960s it might explain why visioning is proving popular with the "thirty and forty somethings".

Take Dermot, for example. Aged about 40 and married to a successful medical consultant, he had worked as an accountant for the same company for 17 years when he was given the opportunity to take voluntary redundancy.

"My job became redundant. I was offered another position in the company but didn't want it," he said. "He and his wife had made a conscious decision as a couple, he said, that her job would come first. Her earnings and his redundancy package had offered him the luxury of taking time to consider what he wanted to do next."

Since giving up his job he had completed an MBA course and now wanted to discover a personal goal.

"I want to build my own vision," he said. Sadly, it was proving difficult. Dermot was lying on the blanket, undergoing a guided imagery session. This is where the consultant running the group asks those present to expel all thoughts from their minds and concentrate on a particular image - in this case it was a rose.

We were asked to think of the petals opening and to imagine something coming out of the middle. What was it and how did we react to it? Poor Dermot just wasn't receiving anything.

While some people were seeing blue roses, roses with spiral staircases going down their stems or with women coming out of them, Dermot confessed that he saw "nothing at all. It was too much effort to create a picture," he said.

This was a morning session. Fortunately for Dermot the afternoon involved less creative thought and he did finally get the hang of it. Clients were asked to list key events in their past, something which they considered an important stepping stone in their life, and then to analyse the circumstances

that led up to the event and its outcome. From that they were asked to sift out two or three important points which brought about the change.

Another exercise was for participants to imagine themselves a year on, having lunch with a friend or colleague and discussing particular achievements that year.

Some of this, conceded David Royston-Lee, the consultant running the session, might be regarded as airy fairy but those who have attended such courses tend to be positive about their benefits.

Patricia Manning, former marketing director of Mothercare, the Storehouse chain, who is currently on an outplacement course at KPMG, said: "I thought when I went in that if this was going to be one of those feel-good days I didn't want to know, because I don't feel bad. In fact I found it very useful."

Coming from a solid corporate background, she is about to make a big career change by setting up in business as a management and marketing consultant.

"One thing you do in the sessions is to look back at the most impor-

tant parts of your corporate past and draw out from them the things that are going to be at the core of your own consultancy. That is difficult to do sometimes on your own."

Manning, a Californian who has lived in the UK for 16 years, said that people seemed to value the opportunity to take some time out of their life and look back at it in an environment where in-bred or company inspired self-restraint is absent.

"For the British that's a difficult thing to do but there was no holding back in our session," she added.

One outcome was that everyone finished the day firm friends because they all knew so much about each other.

The sessions tend to expose suppressed career longings. One bank executive confessed that he had always wanted to be a lion-tamer. While there were obvious practical difficulties in achieving this ambition, the counsellors drew out qualities from the job - in this case, perhaps, it was controlling a dangerous situation - and helped him to apply it to a career where this ability was required.

David Royston-Lee said that he often comes across people in well-paid jobs who are frustrated because they really want to do something else but which they know pays much less than they can earn in their chosen career.

He recalled a conveyancing lawyer who wanted to be an opera singer but knew it would not pay for the upkeep of his wife and family. His personal crisis had been caused by a fall-off in the work that had been earning him £150,000 a year.

He is now in the chorus of a London operatic company, having at least partially fulfilled his ambition. The visioning did not solve his money problems but it did make him realise that there was something that mattered more to him than his day job in terms of personal satisfaction and that if he organised himself he could do both.

"Many of us have something we want to do but find that it is too big a leap. What we don't always see is that there are stepping stones to making these things happen," said

Royston-Lee. "There is a hell of a lot of guilt around in terms of doing what we feel we should do and not what we want to do. The visioning day simply says that it's OK to be selfish sometimes."

Such therapy, once the preserve of Hollywood film stars, is becoming increasingly available in companies. Jo Ouston, a former head of advisory services at the Institute of Management, now an independent career management consultant, has developed a series of techniques, including the use of guided imagery and transactional analysis, a method developed in the late 1950s by US psychologist Eric Berne.

Ouston offers a series of structured courses at her consultancy or can go into companies to help solve a problem.

These are often associated with an individual who may have found himself in the wrong job or who is not sure what the company requires of him.

"These people are sometimes valued by the company but difficult to manage. It is often the rebels I'm dealing with, which I like because they are often the most interesting people," she said.

Jo Ouston is based at 51/52 Kenes House, Dolphin Square, London SW1V 3LX. Tel 071 821 8299.

Richard Donkin

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The Early Warnings Unit at the Securities and Investments Board (SIB) aims to identify potential new hazards to investors and ensure that issues arising are properly resolved. A key senior position is currently vacant in this important new area.

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- carrying out and managing research both for policy development and for responses to specific hazards;
- analysing and assessing information, in order to make and implement specific recommendations for dealing with new hazards;

- liaising with regulators, the industry and others to ensure the unit is always up to date and well informed.

Candidates should be of graduate calibre and have a good understanding of the financial services industry and regulatory issues through previous employment.

They should have excellent management and communication skills, a logical and enquiring mind, a proactive and flexible approach, the ability to assimilate complex material, identify relevant issues and produce a concise and coherent recommendations.

Interested candidates should contact Anna Williams for an information pack quoting reference 204502, at Michael Page City, 39-41 Parker Street, London, WC2B 5LH. Telephone 071 831 2000. Closing date 17th October.



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The successful candidate will chair the risk management committee and liaise closely with traders and line management. Key responsibilities will include setting up product control procedures, monitoring market risk, consolidating risk information and carrying out risk/performance reporting. Although the initial focus is on derivative trading, it is envisaged that the job will grow to encompass other areas of the business.

The ideal candidate will be aged early 30's, with at least 3 years' directly relevant middle office experience, including in-depth exposure to derivative products and appropriate risk management procedures. Technical understanding of valuation and pricing models and Value at Risk methodology must be complemented by personal qualities such as credibility at senior level and a high level of initiative.

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- Experience from investment/merchant bank, commercial banks (credit trained) and relevant agencies/regulating bodies.

The following skills would also be considered an advantage:

- Some experience in emerging markets particularly in the Middle East, Eastern Europe, South America and Africa.
- Language ability - especially Italian, Spanish and Portuguese.
- Knowledge of capital market products and the risks involved, particularly derivatives.
- Ability to structure high risk capital market transactions to reduce risk to the firm, while still enabling the deals to be completed.



Interested candidates should contact Sara Kenderdine-Davies on Tel: 071 256 5849. City Senior Division, Accountancy Personnel, 36-44 Moorgate, London EC2R 6EL Fax: 071 638 7509.

Hays



## TREASURY MANAGER

Sun Alliance Investment Management Limited is the investment arm of the Sun Alliance Group - one of the UK's largest composite insurance companies.

The company is seeking to strengthen the Treasury Desk by appointing a Treasury Manager. Reporting to the Senior Treasury Manager and Director the successful applicant will make recommendations on policy and strategy regarding hedging interest rate and foreign exchange risk by using a range of conventional and derivative instruments.

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In order to meet our requirements it is likely that the candidate will be a graduate with around 7 years' corporate or financial treasury experience. In addition, a relevant professional qualification would be an advantage.

Please send your CV and a covering letter stating your current benefits package and highlighting any significant achievements which may demonstrate your suitability for this position to: Susan Sims, Group Personnel, Sun Alliance Group, 1 Bartholomew Lane, London EC2N 2AB. Tel: 071-588 2345 ext 1828.



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HR professionals who are not yet members of this group but who are interested in joining should contact Carmel Silverosa or Ros Winder at the Group's offices at 10, Lombard Street, London EC3V 9EL, or telephone on 071-623 6092.

Employers or applicants with enquiries about Jonathan Wren's recruitment services should contact Ron Bradley, Brian Jarvis, Lindsey Morgan or Roger Steare at the address below.

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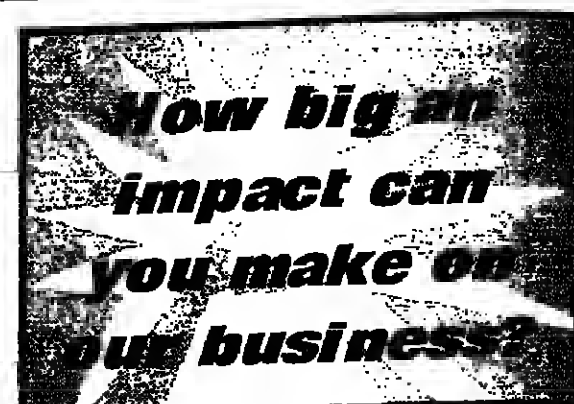
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## ACCOUNTANCY COLUMN

## An institutional fracture in need of repair

Jim Kelly on the importance of solving the debate on how to reshape the six professional bodies

The accountancy profession is currently suffering from an acute attack of institutional gridlock. Asked to forge a new structure to meet the challenges of the next century, the six main professional bodies have been reduced, in the words of one leading player, to "ticking paperclips at each other".

In theory, the reshaping of the profession should be taking place in an office on Salisbury Square, off Fleet Street. Here leading representatives of the bodies meet to discuss reform under the chairmanship of David Bishop, a partner at the accountants KPMG Peat Marwick specialising, helpfully, in change management.

Gathered around a single table are the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland, the Institute of Chartered Accountants in Ireland, the Chartered Association of Certified Accountants (ACCA), the Chartered Institute of Public Finance and Accountancy (Cipfa), and the Chartered Institute of Management Accountants (Cima).

The bodies have already produced the so-called Bishop Plan which envisaged a merger to form three geographical blocks - England, Scotland and Ireland. They agreed that their combined membership of 200,000 should be consulted on the plan.

At least that is what they thought they had agreed. The powerful ICAEW is accused of not consulting at all but promoting the merger plan, which its rivals see as a vehicle for it to swallow up the rest, or at least its biggest rival, the ACCA. Partly moti-

vated by this perceived injustice, ACCA promptly produced its own plan - dubbed Bishop 2. This shelved rationalisation in favour of harmonisation under a new umbrella body constructed along the lines of the General Medical Council - and named the General Accounting Council.

The ICAEW was stung to respond in language not normally associated with accountants. The idea was, according to the its mild-mannered president Roger Lawson, not only "dead on arrival" but "still-born".

A president of one of the bodies received notification of this plan several days after it appeared in the press. Others heard of it for the first time over the table at Salisbury Square. One can only imagine the discomfort felt by David Bishop in such circumstances.

Yet again the accountancy profession appears to be heading for fracture when consolidation was in sight. The last successful merger was in 1987. The last time they failed, in 1970, the result was the Consultative Committee of Accountancy Bodies. Born of failure it is seen by many as having failed the profession at a vital time.

During a decade marked by corporate collapses such as the fall of the Maxwell empire, Polly Peck and BCCI, many in the profession, and plenty in government, have looked to the professional bodies for public accountability. This highlights the problem facing the hickering six: there are strong forces at work which require the profession to do something before something is done to it. Another corporate collapse could convince the present government to put the

accountancy profession on its agenda. A Labour government might find the time any way. If neither acts the European Parliament may.

The need to provide public accountability, regulation and standards is recognised. Mr Michael Heseltine, the trade and industry secretary, joined the argument by telling the profession earlier this year to merge in order to improve its ability to lobby government. Accountants, he said, should speak with one voice.

The problem is that the six cannot bring themselves to talk sensibly to each other. The cloud of competition has to some extent obscured the need to provide a service to customers. The CAAEW is, for one, aware that prevarication could cost the profession dear.

ACCA is emerging as a dynamic body, its chief executive Anthea Rose is a forceful personality who appears to have a firm grip on her organisation. ACCA has 100,000 students (about half of them outside the UK) compared with the ICAEW's 11,000. Outside the UK, ACCA's qualifications and ideas are spreading fast.

ACCA wants this potential power to be realised while the ICAEW's strengths, founded on its prestigious chartered brand and more than 100,000 members, stand in its way. It is understandably furious about the Bishop 2 plan. However, ACCA is terrified of being swallowed whole by the ICAEW. It wants to protect its "core values" of open access to the profession, flexible education and a common "title" for accountants. ACCA suspects the ICAEW is pushing its members to share their coveted title now, in a merger they can domi-

nate, rather than later in a merger with stronger partners.

The other bodies watch this clash of power with increasing alarm. In Ireland things are simplest in the most complicated of settings. Throughout the violence the institute has met in both Belfast and Dublin, and is committed to an all-Ireland body. It would preserve this arrangement under Bishop and has therefore given it a cautious welcome.

Cima is for rationalisation and welcomed the publication of Bishop. It wants recognition of the value of its international activities and of the status of management accountancy as an equal partner with other disciplines.

Cipfa has strong sympathies with Bishop 2. It feels that the original plan was rushed through and as a result was ill-conceived with little regard for detail. A papering over of the cracks which inevitably fell apart. It would probably support a limited Bishop 2 scheme for an umbrella body and some harmonisation between the bodies operating under its governance.

The Scots find themselves in a no lose situation. Their treasured independence and compact organisation are rigorously defended. Their position is less anxious and summed up as: "its best to remain good friends rather than be unhappily married."

Most of the bodies believe that the worst scenario is approaching. That the position *ante Bishop* will be the same as before.

To avoid such an outcome some creative thinking is going on about a possible structure for debate in 1995.

The idea of the General Accounting Council might survive in some form - perhaps even as a "limited umbrella" covering some of the bodies. There is a strong sense that the GAC was a credible idea launched with disastrous consequences for merger. Cynics believe its launch was designed to be just that.

Meanwhile a process of ad hoc harmonisation may well begin to spring up. This could be limited to targeting areas for joint action or simply to cutting costs by amalgamation of services. It might also stimulate a debate about whether the profession is one profession, or several. If the second, what is wrong with not speaking with one voice?

The role of the ICAEW is crucial. It has moved boldly for change at a time when it knows it can dominate the outcome. But its motives are not as ignoble as often painted. Even the other bodies acknowledge that the profession gains much of its intellectual drive from auditing and the Big Six accountancy firms. The ICAEW is vital to the health of both. In the rush to merge many fear these traditional strengths of the ICAEW will be undermined and isolated in some new conglomerate of bodies.

The ICAEW rejects the charge that it tried to push Bishop on its members. It says that to achieve progress, all the bodies agreed to consultation on the Bishop plan.

Above all there is a sense from all concerned that the profession must put its own house in order. If the present acrimonious debate achieves anything it must be a willingness to compromise to achieve change.

MARTIN CURRIE

INTERNATIONAL INVESTMENT MANAGERS REQUIRE A

## Qualified Accountant

AS DEPUTY HEAD OF CLIENT ACCOUNTING AT THEIR OFFICES IN CENTRAL EDINBURGH

Principal responsibilities include accounting, tax and company secretarial matters for investment trust companies listed on the Stock Exchange. The successful candidate will be a recently qualified accountant with experience in financial services. Salary negotiable. Applications in writing with CV to:

Mr I S Reid, Martin Currie Ltd, Saltaire Court, 20 Castle Terrace, Edinburgh EH1 2ES.



Rea Brothers Limited

Internal Audit Assistant c. £20,000 + BB

This well respected merchant bank is seeking to recruit an accountant to assist the Group Internal Auditor and Compliance Officer. The role would encompass all sections of the bank and includes IMRO and SFA regulations as well as some accountancy work. Banking/compliance experience preferred. You will need to be able to work with little supervision, have excellent communication skills and be computer literate.

Ideally, this position would suit someone undertaking Certified Accountancy exams (passed level 1) and study leave would be available.

Please send applications to include a copy of your CV to:

Miss C E Griffin, Rea Brothers Limited,

Alderman's House, Alderman's Walk, London EC2M 3XR

Applications to be received by Friday 14th October, 1994

## CHIEF ACCOUNTANT

West End c£28000+car

Our client holds a leading UK market position specialising in the production, marketing and distribution of niche products that span a broad customer base. With offices in the USA and the UK the group, 1/3 c£15m, operates in all major countries and serves industry, commerce and the public sector.

A high calibre accountant is now sought to join the head office team to play an active part in the running of the business. The person will head a team of five and be responsible for the production of all accounting information for the UK operation along with systems upgrades and day to day administration matters. There will be significant involvement in ad-hoc projects.

Candidates should have good relevant experience along with sound organisational, managerial and PC skills coupled with a good hands-on approach. Furthermore it is essential that the appointee has a desire to work with others as he/she will be an important member of the management team.

Please write enclosing a full curriculum vitae quoting ref 629 to: Philip Cartwright PCMA, Riverbank House, Putney Bridge Approach, London SW6 6JD. Tel: 071 371 9476. Fax: 071 371 9478.

CARTWRIGHT CONSULTING  
FINANCIAL SELECTION & SEARCHProduct Control, Asset Trading  
Complex and high profile role

Global Investment Bank

Our client is one of the premier integrated international investment banks and securities houses. They have built on their long term presence in the securities markets by becoming one of the leading players in global derivatives and structured products.

As a part of this spread of activity, the asset swaps area is at the leading edge of the development of methods to use derivatives, including swaps and option products, to structure new ways to trade credit.

A creative and lateral thinking accountant is required to take responsibility for the product control for this area. In addition to managing the reporting requirements, this role will involve extensive liaison with senior trading, operations and systems personnel. A proactive contribution is expected in terms of supporting the traders through the provision of detailed analysis and the resolution of trading/operational issues.

c£40,000 + Banking Benefits

ACA or equivalent, you will have 1-2 years post qualified experience including considerable exposure to an appropriate range of products. Good systems skills and a knowledge of SFA capital adequacy issues would be beneficial. This experience could have been gained within a competitive securities house or the profession.

The profile of this group and the nature of the products set this role apart from a mainstream product control position. A critical and judgemental approach will be required in order to handle the various technical and personal challenges associated with the role. Outstanding career and financial benefits will result for the successful individual.

For further information in the strictest confidence, contact Tim Musgrave on 071 240 1040. Alternatively, send your resume quoting reference number 22/1812 to Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN. Fax No: 071 240 1052.

Morgan & Banks  
INTERNATIONAL

## TREASURY MANAGER

c.£45,000 + car

London W1

Guinness PLC is one of the UK's leading consumer goods companies with a market capitalisation of over £8bn. 23,000 employees worldwide and a turnover in excess of £4bn. It has the most outstanding portfolio of premium drinks brands in the world, including Johnnie Walker, Bell's, Gordon's Gin and of course Guinness itself, the world's most celebrated stout. It is one of the few truly global beverage businesses.

Our highly centralised professional Treasury operation manages substantial interest rate and currency exposures on a global basis. As a result of internal development, we now have an opportunity for a talented individual to join the senior management team as Treasury Manager. Based in the company dealing room and reporting to the Treasurer (Operations), your main responsibilities will be to contribute to the analysis and formulation of successful hedging strategies, to manage the group's positions as well as the execution of deals in the market.

You are likely to be educated to degree level with an ACT, Banking or Accounting qualification. You will be fully conversant with the instruments and techniques for managing foreign exchange and interest rate exposures with several years' experience gained in a corporate treasury or financial institution. In addition, you should possess competent dealing skills and demonstrate capability of handling complex derivative instruments.

Interested candidates should write in confidence, enclosing CV and full details of current salary to our consultant Douglas Austin at MSL International, 32 Aybrook Street, London W1M 3JL. Quoting Ref: A22G03.

GUINNESS PLC



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## HEAD OF INTERNAL AUDIT

Based London c.£45,000-£55,000 + benefits

PA Consulting Group, one of the world's leading international management and technology consultancies, is a large complex organisation with some 2,100 staff located in 51 offices and two technology laboratories in 21 countries worldwide.

Reporting directly to the Group Chief Executive, you will be responsible for conducting a wide range of internal audits of financial, commercial and operational practices in all areas of the Group's activities, and for the further development of the company's well-defined and disciplined standard operating procedures.

An ACA with a good first degree and possibly an MBA, you must have several years' post-qualification audit experience, preferably within an international banking or similar 'best practice' environment. Your high personal credibility at senior management level will be based on all-round professional expertise, strong personality, and first-class analytical, communication and presentation skills.

Benefits include a performance-related bonus, company car scheme, pension and private health plan.

To apply, please send your cv to Roselyn Cason-Marcus, Ref: 2053/RCM/FT, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR.

PA is an equal opportunity employer.

PA Consulting  
Group  
Creating Business Advantage

## FINANCIAL CONTROLLER

North

to £40,000

Our client is a highly successful manufacturer of high quality component products for a variety of blue chip customers worldwide. The company's track record of growth to date has been impressive and a programme of continuous investment and product innovation has ensured that they are well placed to take advantage of growth opportunities.

They now seek to appoint a Financial Controller who will assume responsibility for the day-to-day running of a high calibre finance function. Emphasis is placed not only on the integrity of accounting records but also on the commercial bottom-line impact of financial information. The Financial Controller is a key member of the management team and will be expected to play a proactive role in the business.

Candidates, aged 27 - 35, will be qualified accountants of graduate calibre who can demonstrate strong technical abilities allied with a high degree of commercial focus gained within a fast-moving manufacturing environment. First class interpersonal skills and the drive, initiative and enthusiasm required to make a real impact in a dynamic business are prerequisites.

Interested applicants should write in confidence to Fred Howie ACMA,

Managing Director, Northern Recruitment Group,

13 Museum Street, York YO1 2DT.

Tel: 0904 610888 or 0904 610800 Fax 0904 611133

Northern  
RECRUITMENT  
Group



## Finance Director

Leading European Boutique  
London Subsidiary of a Major US Institution

The company is the small high calibre European investment arm of one of the largest and most prestigious American financial institutions. It is the leading provider in Europe of private debt, managing a \$3 billion portfolio which spans nine European countries.

You would be the company's first Finance Director, a position made necessary by growth and the need to create and manage internal finance and treasury functions. Your responsibilities would be wide, covering financial

control, treasury, compliance and Board-level strategic planning.

You need to be a Chartered Accountant with at least seven years in accounting and finance, most of which should have been spent in a major organisation in international banking or securities. You must have the technical knowledge to set up independently a range of new functions and the breadth of vision to take on a full Finance Director's role.

Please write in confidence to Terence Hart Dyke, a consultant to the Company, at Haley BDC, 63 Mansell Street, London E1 8AN.

**HALEY BDC**

London

To £70k + Banking Benefits

## HEAD OF FINANCIAL CONTROL SYSTEMS - EUROPE

Our client, one of the leading US investment banks, has built its reputation on providing added value to its clients through continuous innovation. They have recently embarked upon an ambitious global IT strategy, exploiting leading edge technologies across all areas of the business. Fundamental to success will be state of the art financial control systems, prompting the need for an ambitious, talented Manager to lead these developments in Europe.

You will have in-depth knowledge of accounting systems and a track record of successful project management gained in investment banking. This role demands an exceptional individual who can manage multiple projects across a number of European locations. At the same time, you will

work closely with the business in order to plan and execute the delivery of the next generation of systems. You will be expected to show practical examples of delivering business advantage through IT solutions.

The demands are high, but the rewards are excellent. Ideally the successful candidate will have solid international experience and language skills would be advantageous. Salary will not be an inhibitor for qualified candidates.

To apply, please send or fax your CV, quoting reference number 11401, salary details and where possible, daytime telephone number to the advising consultants, Goodman Graham & Associates, 8 Beaumont Gate, Shentley Hill, Radlett, Herts WD7 7AR. Fax 0923 854791.

**GOODMAN GRAHAM**

A GOODMAN LURIE company

## Finance Director

Leeds

c £40,000 + Car + Bens



Legal and General Estate Agents have a network of over 150 corporate branches and 75 franchises. They trade under a variety of local brand names including Whitegates in the North, Adam Kennedy around London and Parkers in the South. Having operated through extremely difficult market conditions, they are well positioned to take advantage of market growth.

They seek to appoint a Finance Director, who reporting to the Executive Chairman will assume responsibility for financial management and administration within the business. More specifically, this will encompass monthly and annual reporting, budgetary control and the further development of management information systems through the supervision of around 40 staff. You will be a

key member of a closely knit management team and will be expected to provide strong financial leadership and have a significant influence on the future of the business.

Candidates, aged 35+ will be qualified accountants who can demonstrate strong technical ability and a high degree of commercial acumen. Essential personal qualities include outstanding communication skills, strong personal presence and maturity, along with a tough-minded approach to business control.

Interested candidates should send a comprehensive curriculum vitae to Stephen Banks, ACMA, Michael Page Finance, Aquis House, Greek Street, Leeds LS1 2PX. Quoting reference 204359.



**Michael Page Finance**

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leatherhead Birmingham  
Nottingham Manchester Leeds Glasgow Edinburgh & Worldwide

## Finance Director

London

£55-75,000 + Car + Bonus

Our client is a rapidly expanding, global division of a major US corporation, which is the world leader in the design, manufacturing and distribution of high technology products. Marketing powerful brands to consumers worldwide, the company is at the leading edge of innovation in an aggressive, success orientated industry.

Substantial future growth potential now demands the appointment of a Finance Director who will be responsible for all financial, commercial and administrative aspects of the business, working at both strategic and operational levels. The successful candidate will work closely with the management team to optimise opportunities and profits, and develop sophisticated

planning and forecasting techniques.

Candidates, aged 35-42, will be qualified accountants with a proven record of senior management experience gained in a fast moving, multi-site, international environment. Excellent communication skills, strong computer literacy, a hands-on approach to business management, combined with drive, enthusiasm and the ability to thrive under pressure will be essential.

Applicants should forward a comprehensive CV, quoting ref 205558, to Mark Hurley ACMA or Alan Dickinson FCMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.



**Michael Page Finance**

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leatherhead Birmingham  
Nottingham Manchester Leeds Glasgow Edinburgh & Worldwide

## Head of Audit

North West

c £40,000 + Car + Bens

Our client is a major British Group with significant international operations. They seek to continue their success through their commitment to the highest quality standards backed by substantial investment programmes and research and development aimed at maintaining their technological lead in an increasingly competitive market place.

Following the promotion of the present incumbent, they now seek to appoint a Head of Audit, who will report to the Director, Financial Control and the Board Audit Committee. With the support of a small team you will play a major part in ensuring a pro-active approach is taken in maintaining effective operational and financial control throughout the Group. You will be actively involved in ad-hoc

investigations including the appraisal of acquisition and joint venture opportunities.

Candidates will be commercially aware graduate Chartered Accountants, preferably 'Big 6' trained, with strong audit experience gained through an exposure to major clients engaged in processing, engineering or utilities. Key elements for success will be your ability to challenge the status quo, whilst establishing effective and positive relationships at senior levels within the organisation.

Interested candidates should forward a full CV to Stephen Banks, ACMA at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Please quote reference 205737.



**Michael Page Finance**

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leatherhead Birmingham  
Nottingham Manchester Leeds Glasgow Edinburgh & Worldwide

TIME WARNER

## Group Accountant

London

to £35,000 + Benefits

Time Warner is a Fortune 500 company with extensive worldwide interests in media, publishing, music and entertainment. The UK operations include such household names as Time Magazine, Warner Music, Warner Bros as well as the rapidly expanding Warner Bros Studio Stores.

Following a recent reorganisation an excellent opportunity has arisen to join the UK Head Office reporting team. In this capacity you will enjoy high level exposure throughout the group and will assume wide ranging responsibilities including the preparation and coordination of UK statutory accounts for all group companies, group consolidations, together with the provision of general accounting and advisory services to associated companies and new ventures.

Reporting to the UK Group Manager, the role will require extensive liaison with management in

the UK and the US as well as various external advisers.

The successful candidate will be a qualified Chartered Accountant with 2-3 years post qualification experience who possesses the requisite technical skills to undertake this demanding role. In addition you must be able to work effectively within a tight knit professional team establishing strong working relationships across all functions. Enthusiasm, drive and sense of humour are all qualities which will determine the success of your application.

This is an urgent requirement and preference will be given to those candidates who can start no later than December 1994. Please send your full CV indicating your current salary to Nigel Milford or Simon North at Michael Page Finance, 39-41 Parker Street, London WC2B 5LH, quoting ref. 204442.



**Michael Page Finance**

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leatherhead Birmingham  
Nottingham Manchester Leeds Glasgow Edinburgh & Worldwide

## Financial Controller

Sussex

c £32,000 + Car + Benefits

Our client is a c£6m turnover hi-tech design and manufacturing company and a world leader in its niche market. A subsidiary of a UK plc, the majority of its high value sales are sold in overseas markets.

Reporting to the Managing Director, this is a hands-on role which encompasses the following:

- Responsibility for complete financial control and reporting requirements at both local and group level.
- Development of management information to assist senior management in the current and future development of the business.
- Provide commercial assistance in evaluating new business opportunities e.g. joint ventures, appraising potential new contracts etc.
- Company secretarial duties.

The successful candidate is likely to be a

qualified accountant, aged 28-40, with several years experience in a comparable business. Clear evidence of a commercial contribution in previous roles as well as strong financial acumen are essential.

In addition, the successful applicant will enjoy a dedicated hands-on role, readily fitting in with a small dynamic team committed to an open style of management. Knowledge of MIS systems is essential. As well as a comprehensive benefits package, assistance with relocation is available where appropriate.

Candidates interested in this challenging opportunity should send their CV to Liam Dowds at Michael Page Finance, Cygnus House, 45-47 High Street, Leatherhead, Surrey, KT22 8AG, quoting reference J205466.



**Michael Page Finance**

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leatherhead Birmingham  
Nottingham Manchester Leeds Glasgow Edinburgh & Worldwide

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

## Group Financial Controller

In excess of £70,000 + benefits Central London

With a European turnover in excess of \$7 billion and marketing affiliates in a dozen countries, we are a significant force in the downstream oil industry. We have grown rapidly through acquisition to embrace refining and marketing of a wide range of quality petroleum products under a powerful global brand. The next stage of our development involves expansion into emerging markets and major investment in facilities.

Although our normal policy is to promote from within, this new position will be filled through external recruitment, specifically to add to the pool of talent from which our senior management is drawn. If successful, you can expect to develop your career either centrally or as CFO of a major European affiliate.

We will expect a lot from you. For instance, we are redesigning our approach to management information: through your team, you will lead this process and be responsible for the deliverables. We continue to integrate previously autonomous affiliates: you will ensure that our policies and procedures are followed. We will continue to develop new areas of business -

many through acquisition - and we will be spending billions on capital projects: you will be assessing the business cases.

Technically first rate, politically sensitive and used to an international business environment, you are probably already in or close to a similar role with a major multinational corporation. Your career path is strongly upwards and you expect this to continue. Whilst we don't expect you to be expert, you have had solid exposure to treasury, tax and systems in addition to accounting. You probably already work in the industry: if not, your sharp intellect and outgoing personality make you confident that you can establish credibility quickly in an industry that is sceptical about outsiders.

Write with full CV and remuneration details to Mark Hartsborne at the address below, quoting reference D/0053. If you would like to discuss the position in confidence, please telephone him on 0171-939 5605. Executive Search & Selection, Price Waterhouse, No 1 London Bridge, London SE1 9QL. Fax: 0171-403 5265.

ROLLER  
£40,000

Northern  
RECRUITMENT  
Group



## CONSULTING

## LONDON

Binder Hamlyn Fry, the consulting arm of Binder Hamlyn, now forms part of the Arthur Andersen worldwide organisation.

Our business purpose continues unchanged: to work with our clients to help them improve performance. The close working relationships we have with our clients are enhanced by our ability to draw on the expertise and resources of the Arthur Andersen organisation throughout the world.

We have a diverse range of clients in the private, public and not-for-profit sectors. We work in multi-disciplinary teams. The work we do demands technical skills, flexibility and initiative. In return we offer variety, challenge and responsi-

bility. People are our business and we are committed to their training and personal development through structured programmes and regular appraisal.

We continue to grow and need to recruit additional high-calibre professionals with backgrounds in accounting and/or IT. We are particularly interested in those with good experience in any of:

- financial services, utilities or retail;
- financial systems implementation;
- IT planning and project management.

We are looking for graduates in their twenties

**£25 - £45,000 PLUS CAR**

or early thirties, with an excellent academic record, an appropriate professional qualification and broad industrial/commercial or consulting experience. If you are looking for an opportunity to build on your experience and progress within a dynamic environment, then please send a curriculum vitae and salary details to Richard Holland at Binder Hamlyn Fry, 20 Old Bailey, London EC4M 7BH, or call him on 071-489 6244. All applications will be treated in the strictest confidence.

**BINDER HAMLYN FRY**

Arthur Andersen worldwide organisation

## MORGAN STANLEY

## NEW YORK

This global US investment bank provides a wide range of financial services to a large and diversified group of clients. With headquarters in Manhattan, the firm has a key presence in Europe and the Far East. The Internal Audit Department uses technically advanced audit methods in its reviews of business, management and operational controls.

Our client is looking to recruit immediate contributors to the organisation's success who thrive on increasing responsibility, constant progression and continuous challenge.

Successful candidates will have:

- an excellent academic record
- an ACA qualification with a "Top 6" Accountancy firm or equivalent
- 1-6 years' post-qualification experience gained either in a bank or a financial services division within Public Practice
- very strong interpersonal skills

The positions are based in New York, hence previous experience there is highly desirable. The right to work in the USA would be an advantage.

Interested candidates should telephone Rachel Hannon on 0171 379 3333 (Fax 0171 915 8714) or write, enclosing a detailed CV, to Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Initial interviews will take place in our London or New York offices.

ROBERT WALTERS ASSOCIATES

## INTERNAL AUDIT

**Lotus**  
Working Together

Lotus Development Corporation is a world leader in the development of software products and services. Our client, Lotus Development Ireland, contributes to this endeavour by developing, manufacturing and distributing innovative software products and services to meet the needs of the business worldwide.

Dublin is now becoming the European Centre for all Financial Services for Lotus Corporation. This will include transactional processing, revenue, credit and collection management, and tax and treasury management. As part of this expansion the company now wishes to appoint suitably experienced people into two senior financial positions.

## European Revenue Controller

Reporting to the Senior Financial Controller, the successful candidate will work with Lotus Corporate Office, European Headquarters and the country subsidiaries to develop and implement revenue systems and reports to meet the requirements of the business. Key tasks will be to centralise contract administration and accounting in Dublin; to ensure that all revenue is recognised in accordance with Lotus corporate policy and US GAAP; to manage the credit collection and accounts receivable functions; to update existing controls; and, to lead the development of new and improved technologies.

The person we are seeking will be a qualified accountant, and have at least ten years financial experience including six years in an aggressive asset management, multi-national environment. Ref: LOT010.

These positions, while demanding, will be of particular interest to candidates who want to be part of a dynamic organisation which depends primarily on the commitment of its staff to ensure continuing success. Strong analytical, communication, interpersonal and PC skills are essential. Salaries and benefits will be to the highest corporate standards.

Candidates should send complete educational and career details, quoting appropriate reference, in strictest confidence to Emer Reynolds at Price Waterhouse, Executive Selection Consultants, Gardner House, Wilton Place, Dublin 2, Ireland.

Lotus is an Equal Opportunities Employer.

**Price Waterhouse**

EXECUTIVE SEARCH & SELECTION

## European Credit Manager

Reporting to the European Revenue Controller, the person appointed will manage the billing credit, collections and accounts receivable functions for the European Business Group. This will involve working closely with the European controllers and individual country finance groups to establish standard credit and collections policies and measurements, and an independent credit approval process. In addition, he/she will conduct regular reviews with country controllers, influence the quality of order management to improve customer satisfaction and standardise accounts receivable systems and reporting wherever possible.

The appointee will be a qualified accountant with at least four years experience of credit control and order management, at least two of these years should have been spent at an international/European level. Ref: LOT011.

These positions, while demanding, will be of particular interest to candidates who want to be part of a dynamic organisation which depends primarily on the commitment of its staff to ensure continuing success. Strong analytical, communication, interpersonal and PC skills are essential. Salaries and benefits will be to the highest corporate standards.

Candidates should send complete educational and career details, quoting appropriate reference, in strictest confidence to Emer Reynolds at Price Waterhouse, Executive Selection Consultants, Gardner House, Wilton Place, Dublin 2, Ireland.

Lotus is an Equal Opportunities Employer.

## The Coal Authority

As part of the privatisation of British Coal, the Government has established a new public body, the Coal Authority, with a brief to facilitate coal mining operations. It will take over British Coal's ownership of coal reserves; and be responsible for licensing coal mining operations; dealing with physical liabilities arising out of past mining which cannot be privatised, eg. subsidence damage claims and abandoned mine shafts; managing and disposing of property; and maintaining and making available mining records.

We are now looking to fill a key position, which will report direct to the Chief Executive. The Head of Finance/Administration will be a challenging post which will be instrumental in the successful establishment and running of the new Authority.

## Head of Finance/Administration

**£40-50k**

Managing an internal team plus bought in services, you will be responsible for the smooth running of the Authority's Finance, IT, Personnel and Administration functions. You will also provide financial advice and prepare the Authority's annual report and accounts.

Ideally qualified accountant, you will have at least ten years experience in public or private sector financial management and a sound understanding of public finance and commercial accounts. You will be computer literate and your strengths will include finding practical solutions to problems. You will have excellent "people" skills.

The appointment will be for a period of up to three years. The Coal Authority's Headquarters will be in Nottinghamshire.

Please send your CV by 20 October 1994 to Mrs Sandra Harvey, Administration Manager, The Coal Authority, 200 Lichfield Lane, Mansfield, Notts. NG18 4RG. Informal enquiries can be made to the Chief Executive on (0623) 427162.

## FINANCIAL CONTROLLER - GERMANY

A rare opportunity for an outstanding Financial Controller to significantly impact a rapidly expanding and highly ambitious service based organisation, located in 30 countries worldwide. As the German subsidiary of a forward thinking and progressive US multinational, current turnover is €54 billion with significant growth projected over the next few years.

## FRANKFURT

A Financial Controller of the highest calibre is sought. Reporting to the Country Managing Director and functionally to the V.P. Finance your responsibilities will include:

- proactive involvement in the timely and accurate production of monthly financial and management information
- the motivation and development of a strong finance function
- strategic analysis, financial planning and commercial input into long term business development
- pre and post acquisition reviews ensuring the successful integration of newly acquired businesses into the Group

A qualified accountant or equivalent you must be technically adept and have first hand experience of UK/US reporting, together with fluency in English and German. Self motivated, determined and with a strong will to succeed you will be ambitious and commercially aware.

An exceptionally stimulating job with considerable prospects for the achiever within Germany or elsewhere overseas.

Interested applicants should write in confidence to **Andrew Livesey** quoting reference number 2089 at Nicholson International (Search and Selection Consultants), Bracton House, 34-36 High Holborn, London, WC1V 6AS. Alternatively fax your details on 071 404 8128 or call 071 404 5501 for an initial discussion.

France Italy Holland Spain Germany Belgium Turkey Poland Czech Republic Hungary Romania Russia Australia



**NICHOLSON  
INTERNATIONAL**

UK

Young Ambitious  
Accountant  
City

**£27,000 + Car  
+ Benefits**

Our client is the investment management subsidiary of a major financial services group and manages £10bn of investments both for the group and external clients. Operating world-wide, they invest on behalf of a broad range of funds which include life, pension, unit trusts and general insurance.

The subsidiary was established as a separate entity 7 years ago and has grown rapidly since that date. In order to accommodate both current and anticipated business levels, they are seeking to recruit an Accountant who will initially be involved in the financial and cost accounting of the investment management companies. After an initial period, it is expected that the role will develop into a broader project based position to assist in the development of investment products, costing, systems and controls.

The successful candidate will be a graduate qualified accountant, with a good degree, and ideally 2 years ppe. In addition to a strong, outgoing personality, the candidate will be pc literate and have an interest in investments. This is an excellent opportunity to start a career within the fund management industry.

Please forward your C.V. to Keith Tracy, Heathfield Hargreaves Ltd, 10 Sedley Place, London W1R 1RG Tel: 071 493 3084 Fax: 071 493 3104

**HEATHFIELD HARGREAVES**  
LIMITED

LONDON ■ SUSSEX ■ NORTHAMPTON

## FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Philip Wrigley on +44 71 873 3351



Coopers &amp; Lybrand

ARE YOU GOOD ENOUGH TO JOIN THIS WORLD-CLASS TEAM?

## Financial risk management and international treasury for multinational corporates

Coopers & Lybrand is known to be highly selective. Our international reputation as a leading firm of business advisors has been won through an uncompromising attitude. We do not settle for anything less than the highest quality work and will employ only first rate professionals.

In the financial risk management and international treasury field, we are committed to the continued development of our global centre of excellence. We are recognised and respected as leading players in Europe, North America and the Far East. The companies with whom we work are world-class multinationals, who demand the highest standards and expect leading-edge solutions, which deliver demonstrable commercial benefit. Do you have the ability to earn a place in our multi-disciplinary team?

You must be confident and credible in dealings with the top management of blue-chip organisations, and be eager to work alongside senior professional colleagues from corporate finance, tax, accountancy and regulation. Being ambitious, you will

already have attracted attention through your achievements in one of the following areas:

- risk identification and quantification
- derivative techniques, risks and controls
- risk management strategy and policies
- global cash and liquidity management
- international treasury structure and location
- risk adjusted performance measurement

This must be supported by a relevant professional qualification or MBA. A working knowledge of French, German or Spanish would also be helpful.

The package will reflect the calibre of applicants we are seeking and will not be a constraining factor for the right candidates.

If you believe you can add to the strength of our team, please write with full career details to the Head of this major practice, Howard Lovell, Coopers & Lybrand, Plumtree Court, London EC4A 4HT, quoting reference FT106 on both envelope and letter.

Solutions for Business

## Audit Managers Audit Supervisors Audit Seniors

- Exciting opportunities to work in Singapore, one of the world's leading financial centres
- Attractive package

We seek candidates with a good Accountancy degree from a recognised university or equivalent professional qualifications who have at least 2 years of public accounting experience. For appointments as Audit Supervisors/Managers, at least 4-6 years' experience (preferably in an international practice) is required. Candidates who are members of the Institute of Chartered Accountants in England & Wales, Ireland, Scotland, Canada or Australia will have an advantage.

If you have excellent interpersonal and communication skills coupled with an ability to work in a cross-cultural and demanding environment, we look forward to hearing from you.

Successful appointees will be given an attractive package with relocation assistance. Initial appointments will be for a period of 3 years, with possibility of permanent tenure. Excellent career advancement opportunities exist for those with proven performance and capabilities.

If you meet the above requirements and want to avail yourself of these exciting opportunities, we invite you to write to us immediately with full details of your qualifications, experience and current salary, including a recent photograph. Please address your application to:

The Human Resource Manager  
Deloitte & Touche Singapore  
P O Box 2110, Singapore 9041

All applications will be treated with strictest confidence.

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to £55,000, car, bonus, benefits

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### Group Financial Controller

#### THE ROLE

- Key role in acquisitions process, integration and overall strategic direction of the group. • Extensive liaison with external advisers including banks and brokers. Exposure to main board and Chairman.
- Provide strong direction to subsidiary Finance Directors with responsibility for continuing enhancement of controls and procedures.

### Finance Directors

#### THE ROLES

- Support decision making across all business areas, identifying pressure points and areas for profit improvement. • Total responsibility for finance and information technology. Lead, direct and motivate teams. • Provide commercial and financial advice on acquisition activities and capital projects. • To be influential members of ambitious and successful management teams.

#### THE QUALIFICATIONS

- Graduate, 'fast-track' accountants. Early/Mid thirties. Entrepreneurial flair coupled with sharply focused commercial and communicative skills. • First class business acumen, team players, with the necessary assertiveness, willingness and capability to originate and implement change. • Pro-active and participative. Thriving on involvement and the influence of financial management as a strategic tool to enhance competitive edge. Flexible to change, ambitious for career progression.

Please reply in writing to 4th Floor, EMCO House, 5/7 New York Road, Leeds, LS2 7PL enclosing a full curriculum vitae and quoting Reference BHM10087. Telephone 0532 467033, Facsimile 0532 433691.

BHM  
SEARCH & SELECTION

## UK INSURANCE TAX DIRECTOR

GE Capital is one of the world's top five companies with most diverse well established and growing insurance businesses in the UK which are being continually balanced by acquisitions. We are looking for an outstanding individual to start a tax department to manage the needs of our subsidiaries. Employers: Insurance, Finance and Financial Insurance Group.

This position represents a unique opportunity for a hard working, highly motivated and career minded professional who seeks a challenging tax position in industry. Reporting to the Director of UK Tax, you will be involved directly in tax planning and reporting for the various businesses, as well as assisting with deal structuring and the optimisation of our global tax position.

Specifically, we require a chartered accountant with at

least five years' experience of the taxation of general insurance and life assurance businesses. The successful applicant, based in London, will be fully involved in the preparation and agreement of tax returns and be capable of providing hands on, commercial, corporation and insurance premium tax advice to the businesses.

The position calls for a strong communicator, who is a creative thinker and a good team player. A competitive salary and benefit package, commensurate with experience, is offered for this post.

Please apply direct, enclosing your CV, details of relevant experience and current remuneration, to: A. H. Kennel, Managing Director-Human Resources, GE Capital Europe Limited, 20 St. James's Street, London SW1A 1ES.



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## Group Finance Director

Aberdeen c. £55,000 plus bonus &amp; share options

OIS International Inspection plc is one of the largest independent companies in the world offering technical inspection and non destructive testing services. A market leader, with £40m annual turnover and over 1100 technical and support staff, the group operates principally in the construction, oil, petrochemical and power generation industries - key customers include major oil companies, oil refineries and British Gas. Europe is a major target market and further expansion is planned in the Middle and Far East. Since flotation in late 1992 the group has made various changes and now plans to relocate corporate headquarters to Aberdeen, a main operating base.

The Group Finance Director, reporting to the Chief Executive, will join a small executive team leading the group in developing its full potential in UK and overseas. Key priorities will be relocating the finance/accounting functions and reviewing and developing MIS, accounting and other systems to support operations. Responsibilities will include international tax and treasury and reviewing performance bonds and guarantees.

The role calls for a qualified accountant with knowledge of city institutions and Stock Market regulations and considerable experience of international operations, ideally in a contracting or construction related business. The appointee must have a background in financial control, business planning and treasury management and be a team player with strong communication skills.

Rewards are excellent including a performance related bonus scheme, FE company car, contributory pension scheme and share options. Relocation costs can be met, if appropriate.

Please write with full details of career and salary history to Barbara Robertson MA MIMC, or telephone her on 041-225 5511 for a confidential discussion. Please quote reference FT 8/10.

KPMG Selection and Search  
24 Blythswood Square, Glasgow G2 4QS

## Outstanding Finance Opportunities

PAN-EUROPEAN OPERATIONS

Central Scotland £'s excellent + relocation

Commitment to product quality and innovation, together with a clear focus on customer needs and market opportunities, have securely positioned our client, a multi-billion dollar US multi-national involved in design, manufacture and distribution of specialist hi-tech products, as the pre-eminent player in its field. Against this backdrop of continued success and growth, and to position the organisation for further radical development, a major new regional finance centre is being instituted, creating the need to establish a highly skilled team of individuals for which the following appointments are key:

### ACCOUNTS RECEIVABLE MANAGER (EUROPEAN OPERATIONS)

This senior management position will assume overall responsibility for the entire European A/R function (turnover c. \$500 million p.a.), reporting to the head of function in the US.

Main responsibilities will cover:

- Management of European Trade A/R ledger • Meeting and exceeding A/R performance targets • Customer liaison, including debt recovery • Management of account reconciliation/invoice processing • Updating and enhancement of systems and procedures • Special Projects •

Successful candidates will be senior managers with 7-10 years' A/R experience within a multi-national organisation.

### ACCOUNTS RECEIVABLE ANALYST

Supporting the A/R Manager, this position would suit a qualified accountant with 3-5 years' PQE in a high value/volume A/R function.

For both positions, knowledge of a second European language, although not essential, would be beneficial.

Interested applicants should contact:  
Frank Skivington, Senior Consultant,  
Melville Craig Executive Recruiting,  
136 West Regent Street Glasgow G2 2RQ  
Tel: 041 221 8182 Fax: 041 248 6008

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#### Excellent Package Negotiable

Existing and Projected, Profitable Growth of our client demands the addition of a key person to join their high quality treasury team - initially as a Financial Accounting Manager.

Considerable room exists for scaling rapid learning curves and for growth.

With an investment banking background, or perhaps from within the profession, you will have 18 months to three years post qualification experience, be familiar with a wide range of fixed income products and possess a thirst for learning new techniques and finding innovative solutions to new problems.

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Gareth Jones on +44 71 873 3779  
Andrew Skrzyński on +44 71 873 4054  
Philip Wrigley on +44 71 873 3351

## choice

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Our Client, an international service company seek a high profile qualified Accountant to head their UK operation. Aged 35-45 you will already have held a position of similar responsibility.  
Ref: R5346 Tel: 071 702 3555

**UK Finance Manager** West End £35,000  
ACCA/CIMA with 4 yrs PQE. Financial and Management Accounts, interpretation of results, excellent prospects.  
Ref: R5382 Tel: 071 930 5111

**Management Accountant**  
London Bridge £30,000  
Qualified or finalist with strong skills, able to interpret and present financial reports to Board. Use of Excel essential.  
Ref: R5364 Tel: 071 930 5111

## Assist Group Management Accountant

West End £30,000

High profile UK Retailer seek an experienced young qualified or finalist, from an FMCG background, to join their head office team.  
Ref: R5348 Tel: 071 930 5111

**Group Accountant** Weybridge £30k+Car  
Manufacturing Company requires fully qualified accountant with previous manufacturing experience. Mgt Accts/Budgets, Forecasting, Summary A/c. Age 30-45.  
Ref: A1377 Tel: 0932 844 466

**Qualified CA's** West End/City £25 - 30k  
We have a number of top ten practices seeking experienced qualified CA's to handle substantially increased workloads.  
For further information contact: 071 930 5111

## Property Accountant

West End £30,000

Qualified Accountant with previous experience of property accounting required for this major West End company.  
Ref: R5364 Tel: 071 930 5111

**Support Accountant** West End £30,000  
Qualified Accountant with strong communication skills and desirably a public sector background. Immediate start for suitable applicant.  
Ref: R5360 Tel: 071 930 5111

**Company Accountant** Slough £30k+Car  
Diverse Group of companies require high calibre young ACA to head Accounting function. Superb prospects.  
Ref: L3665 Tel: 0753 554 477



## SIAM TRADING LTD. Chief Financial Officer

Siam Trading Ltd. is a fast growing international conglomerate quoted on the Alberta Stock Exchange, Canada with interests in Britain, North America and the Far East. As part of a strategic review the company is seeking to appoint a CFO who will report directly to the Chief Executive and will play a key part in the global development of the Group's business.

### Responsibilities will include:

- To provide full budgetary and financial management for all the companies within the Siam Trading Group.
- To prepare financial accounts for audit for the Group.
- To evaluate acquisitions, disposals and joint venture opportunities.
- To develop funding strategies in the banking and capital markets.
- To assist in the prospectus preparation for the flotation of various business investments of Siam Trading Ltd.

### Qualifications:

- Qualified FCA/ACA, aged between 32-42 with CFO/Finance Director experience at PLC and international level.
- MBA (preferably U.S.)
- Knowledge of U.S. and Canadian GAAP.
- Highly PC literate

Salary and package will be commensurate with the position and experience of the candidate.

Please send full c.v. to:

Tim McCarthy, Chief Executive Officer, Siam Trading Ltd., 346 Kensington High Street, London W14 8NS.

## Finance Director

European responsibility for an international leader  
£50,000 + Excellent Benefits

Our client, Singapore Telecom International, is a major telecommunications company with extensive plans for strategic expansion, both globally and across a variety of technologies within its domestic market.

At their European Headquarters in High Holborn, the opportunity has now arisen for a qualified and highly experienced Finance Director to take full responsibility for the entire European investment portfolio. In compliance with corporate financial policies, you will be expected to develop accurate financial management controls, manage funding for joint-venture investments, ensure accurate and timely

financial management reports and supervise ongoing MIS development.

ACA/ACCA-qualified, you should combine a good, recognised Accounting or Finance degree with at least 15 years' relevant experience, preferably including five or more years spent in Cable TV or a related industry. This extremely senior position also demands a high level of ambition and motivation, plus the confidence and initiative needed to work independently, sometimes under pressure.

For further information, please contact Reed Accountancy, 76 Cannon Street, London EC4N 6AE, telephone 071-489 8005. Ref: 2809U497A

■ Singapore Telecom

## TO SUCCEED AS A CHARITY, WE HAVE TO FUNCTION AS A BUSINESS

### Director of Finance and Corporate Services

Based: London

With a current annual expenditure approaching £100M, Barnardo's has the dimensions of a substantial business. Our business is children and the issues that affect their lives - everything from homelessness to physical and sexual abuse; from disability to acute disadvantage.

If we are to achieve more for children than just good intentions, we need the disciplines and skills that make any business successful and effective - maximising revenue, controlling costs, making the best use of resources, winning the hearts and minds of the public.

As one of the four executive directors running the largest children's charity in the UK, your job will be to provide professional services which enable the vital child care and fund raising activities of Barnardo's to be effective.

You will need to be comfortable in a highly visible role, a creative thinker, with the skill and persistence to get your ideas into practice. Your strength of personality will complement the logic of your arguments. You will be the kind of manager who achieves objectives by taking people with you. Your professionalism and strong business instincts will be accompanied by a personal Christian faith.

In terms of background, you'll be a qualified accountant with 10 years post qualified experience, five of which should also have seen you managing in a corporate services department - ideally in a role that encompassed functions such as Finance, Personnel, IT, Property Services and PR.

The benefits package includes a competitive salary, car, contributory pension scheme, permanent health insurance and 27 days holiday.

Application forms together with further details of the post and a statement of Barnardo's basis and values and equal opportunities policy are available from Margot Adams, Head Office Personnel, Tanners Lane, Barkingside, Ilford, Essex IG6 1QG. Tel 091-550 6309 (answerphone). Please quote Ref 1059.

Closing date for completed application forms 17 October 1994.

(Charity Reg. No. 216250)

**Barnardos**

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For senior management positions.  
For information please contact:

Philip Wrigley  
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## BAKYRCHIK GOLD PLC

Our Client is a rapidly developing London-based public group which has entered into a joint venture with the Kazakhstan Government to expand and develop an existing gold mining operation located in north eastern Kazakhstan. Knowledge of Russian is a significant advantage.

### QUALIFIED ACCOUNTANT - LONDON BASED

A recently qualified accountant is required for the London Head Office of the Company. Candidates should be computer literate and should ideally have some experience of taxation matters, preparation of annual reports, budgeting, vat and company secretarial duties. In general, an "all-rounder" with a good examination pass record is required, who is familiar with the workings of a small public company. Candidates should be prepared to work overseas for short periods. Terms and conditions will be negotiable.

### ACCOUNTANT - KAZAKHSTAN BASED

An accountant is required to assist with the accountancy function of the mining and township operations. Applicants should have experience of computerised accounting systems and be able to function energetically on a remote mine site without close supervision. Previous mining experience would be an advantage but not essential and an ability to assess local accounting systems and integrate them into the Company's system should be demonstrated. A one year renewable single status contract, with an attractive salary, leave conditions and general conditions of employment are offered.

In the first instance, a written career history should be sent to:

Dennis Thomas, Thomas Mining Associates,  
PO Box 2023, Bournemouth, Dorset BH4 8YR. UK  
Tel/Fax: 0202 751658



HUNTING Technical Services

## DOMINICAN REPUBLIC - FINANCIAL CONTROLLER

Hunting Technical Services has commenced a major, four-year project, funded by the EC. There is an immediate vacancy for a Financial Controller/ Administrator with responsibility for accounts, preparation of all budgets/cost estimates and financial reports for various rural development schemes. The contract will be for four years, with an attractive package commensurate with an overseas assignment.

A professional qualification in accountancy and fluency in Spanish is essential. Ideally candidates should be over 40 years of age, with a minimum of 10 years experience in accountancy, office management and administration. Working experience in the Caribbean or Latin America regions would be an advantage.

Applications in writing with full CV should be sent to:

Mr N G Schofield, Company Secretary, REF: DRP/94  
Hunting Technical Services Limited,  
Thamesfield House, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7SR, England

## FINANCIAL CONTROLLER

### OIL TRADING

LONDON TO £50,000 PACKAGE + BONUS

Our client is an international oil trading group with well established operations in several countries. A new operation, due to commence worldwide trading in November, is being established in London and an exciting opportunity exists for a skilled and experienced finance professional to set up and run an efficient and effective finance function.

Reporting to the Chief Executive Officer, you will play a key role in the development of the new operation. This is a broad role with wide ranging responsibilities. Your objective will be to ensure that an accurate and efficient service is provided to the CEO and parent company and to introduce effective financial procedures, systems and controls.

To succeed in this challenging role you must have gained broad accounting experience in a commodity trading environment. Probably in your thirties or forties, and ideally a qualified accountant, you will have a practical, flexible approach and excellent communications skills.

To apply please send a CV with salary details quoting reference 1741 to Joan Coulter (071 489 6050).

Binder Hamlyn Fry, 20 Old Bailey, London EC4M 7BH.

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Now we seek a proactive Business Control Executive to manage, monitor, design and report on various aspects of marketing information and control processes. This will include management of the department's expense budget, sales performance reporting, market share forecasting and the ongoing development of information sources and systems.

This is a key role for a professional with strong analytical and planning skills, ability to influence people and issues, an in-depth knowledge of financial control processes and experience of PC based systems. A formal business or accounting qualification is essential and this would be an ideal opportunity for a recently qualified accountant to move into the marketing area.

Salary will be between £26,000 and £32,000pa including London allowance and 8% bonus. Financial sector benefits will include non-contributory pension and low-interest mortgage.

For more details, please telephone 071-334 4132 for an application pack, or alternatively send your full career and current remuneration details to Helen Jackson, HSPCS, The Prudential Assurance Company Limited, 250 Euston Road, London NW1 2PQ.

Closing date: 21st October 1994.

## FINANCIAL CONTROLLER

### Guildford

Our client is part of a US multi-national software development, sales and service company. With a recognised position as a market leader it has a long term record of consistent growth. As well as running the UK company, it has financial responsibility for the Scandinavian and Benelux operations with combined turnover of approximately £17m.

Reporting jointly to the European Finance Director and UK Managing Director and heading a team of six, the Financial Controller will assume responsibility for all finance and accounting functions. This will include forecasting, planning, budgeting, consolidations and the production of timely and effective financial and management information. The Financial Controller will also be expected to participate fully in the commercial management of the business.

### Competitive Salary + Car + Benefits

Candidates will be qualified accountants with several years of financial management experience gained in a sales driven environment. Superior finance and control skills together with the commercial acumen to work closely with the Managing Director in the profitable running of the business are essential. Creativity, decisiveness and a hands-on, participative management style are all important personal attributes.

To explore this opportunity, please send a comprehensive resume stating your current remuneration package, quoting reference 3415 to Christopher Rose, Touche Ross Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

MANAGEMENT CONSULTANTS

## FINANCIAL CONTROLLER

### FMCG Manufacturer

A challenging opportunity has been created to head finance at the largest manufacturing site in this £250m turnover company. Continued profitable growth has resulted in a pre-eminent position as a respected supplier to the major high street retailers. Part of a major blue-chip multinational until 1993, the company is now further developing a strong independence.

Reporting to the Site General Manager responsibilities will include:-

- All aspects of financial reporting and control for the manufacturing site.
- Development of management information to enable efficient planning mechanisms and maximise business performance.
- Financial control of a £10m capital expenditure project.
- Provision of strong financial and commercial input to all site operational decisions.

Applications are sought from qualified Accountants who are fully conversant with computerised factory accounting and can demonstrate significant achievements in a manufacturing environment. The successful candidate is likely to be aged 29-40, will be a tenacious team player and exhibit strong interpersonal skills. You will also have the potential and ambition to develop within this high profile environment.

Please write with CV, to Andrew Mackie at Robert Half, Brook House, Spring Gardens, Manchester M2 2BQ. Telephone 061-236 0101 or fax 061-236 1024.

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